

(13)  
No. 92-114-CFX  
Status: GRANTED

Title: Cardinal Chemical Company, etc., et al., Petitioners  
v.  
Morton International Inc.

Docketed:  
July 16, 1992

Court: United States Court of Appeals for  
the Federal Circuit

Counsel for petitioner: Schill, Charles F.

Counsel for respondent: Coons, Gordon, Lafuze, William L.

Entry	Date	Note	Proceedings and Orders
1	Jul 16 1992	G	Petition for writ of certiorari filed.
2	Jul 27 1992		Brief amicus curiae of American Intellectual Property Law Assn. filed.
3	Aug 6 1992		Brief of respondent Morton International, Inc. in opposition filed.
4	Aug 12 1992		DISTRIBUTED. September 28, 1992
5	Aug 14 1992	X	Brief amicus curiae of Federal Circuit Bar Assn. filed.
6	Aug 14 1992	X	Brief amicus curiae of American Bar Association filed.
7	Aug 14 1992	X	Brief amicus curiae of Atochem North America, Inc. filed.
8	Oct 5 1992		Petition GRANTED. *****
9	Nov 17 1992		Joint appendix filed.
10	Nov 17 1992		Brief of petitioners Cardinal Chemical Company, et al. filed.
11	Nov 18 1992		Brief amicus curiae of Atochem North America, Inc. filed.
12	Nov 19 1992		Brief amicus curiae of American Intellectual Property Law Association filed.
13	Nov 19 1992		Brief amicus curiae of American Bar Association filed.
14	Dec 17 1992		Brief of respondent Morton International, Inc. filed.
15	Dec 28 1992		SET FOR ARGUMENT WEDNESDAY MARCH 3, 1992. (3RD CASE).
16	Jan 4 1993		CIRCULATED.
17	Feb 5 1993		Record filed.
		*	Partial proceedings U. S. Court of Appeals for the Federal Circuit.
18	Feb 23 1993	D	Motion of the parties for divided argument to permit American Bar Association and American Intellectual Property Law Association to participate in oral argument as amici curiae filed.
19	Mar 1 1993		Motion of the parties for divided argument to permit American Bar Association and American Intellectual Property Law Association to participate in oral argument as amici curiae DENIED.
20	Mar 3 1993		ARGUED.

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92-114

Supreme Court, U.S.

FILED

JUL 16 1992

No. 92-\_\_

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IN THE  
**Supreme Court of the United States**  
OCTOBER TERM, 1992

CARDINAL CHEMICAL COMPANY, a partnership,  
W.M. QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM,  
and W.M. QUATTLEBAUM, III, individuals,  
CARDINAL MANUFACTURING CO., and  
CARDINAL STABILIZERS, INC.,  
*Petitioners,*  
v.  
MORTON INTERNATIONAL, INC.,  
*Respondent.*

**PETITION FOR A WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF  
APPEALS FOR THE FEDERAL CIRCUIT**

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**QUESTION PRESENTED**

Whether the Court of Appeals for the Federal Circuit errs when it vacates a declaratory judgment holding an asserted patent invalid merely because it determines that the patent is not infringed?

## PARTIES TO PROCEEDING

All parties to the proceeding below are set forth in the caption to the case. Pursuant to Rule 29.1 of the Rules of this Court, petitioners state that none of them have any non-wholly owned subsidiaries, nor do they have any parent corporations.

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IN THE  
**Supreme Court of the United States**  
OCTOBER TERM, 1992

No. 92-\_\_\_\_

CARDINAL CHEMICAL COMPANY, a partnership,  
W.M. QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM,  
and W.M. QUATTLEBAUM, III, individuals,  
CARDINAL MANUFACTURING CO., and  
CARDINAL STABILIZERS, INC.,

*Petitioners,*

*v.*

MORTON INTERNATIONAL, INC.,

*Respondent.*

**PETITION FOR A WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF  
APPEALS FOR THE FEDERAL CIRCUIT**

Petitioners Cardinal Chemical Company, W. M. Quattlebaum, Jr., Dorothy Quattlebaum, and W.M. Quattlebaum, III, Cardinal Manufacturing Co. and Cardinal Stabilizers, Inc. (hereinafter "Cardinal" or "Petitioners") respectfully petition for a writ of certiorari to review the decision of the United States Court of Appeals for the Federal Circuit, entered in the above-entitled proceeding on March 20, 1992.

**OPINION BELOW**

The opinion of the Court of Appeals for the Federal Circuit is reported at 959 F.2d 948 and 22 U.S.P.Q.2d



1231 and reproduced in Appendix ("App.") A, pp. 1a-15a. The opinion of Chief Judge Nies of the Federal Circuit dissenting from the orders declining suggestions for rehearing in banc, entered June 24, 1992, has not yet been reported; it is reproduced in App. B, pp. 16a-31a. The opinion and order of the district court, entered December 12, 1990, is not reported; the public version of the opinion is reproduced in App. C, pp. 32a-70a.

### JURISDICTION

The judgment of the Court of Appeals was entered on March 20, 1992. The petitions for rehearing were denied on April 17, 1992. Apps. D-E, pp 71a-72a. This Court has jurisdiction to review the judgment of the Court of Appeals pursuant to 28 U.S.C. § 1254(1).

### STATUTORY PROVISIONS INVOLVED

The Declaratory Judgment Act, 28 U.S.C. § 2201, provides in pertinent part:

(a) In a case of actual controversy within its jurisdiction, except with respect to Federal taxes other than actions brought under section 7428 of the Internal Revenue Code of 1986, [26 U.S.C. § 7428] a proceeding under section 505 or 1146 of title 11 [11 U.S.C. § 505 or 1146], or in any civil action involving an antidumping or countervailing duty proceeding regarding a class or kind of Canadian merchandise, as determined by the administering authority, any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seek-

ing such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

### STATEMENT OF THE CASE

The respondent, Morton International, Inc. ("Morton" or "Respondent"), filed the present suit on April 12, 1983 in the United States District Court for the District of South Carolina alleging infringement by Cardinal of United States Patents 4,062,881 and 4,120,845. The claims of Morton's patents cover certain organotin compounds. Cardinal filed a counterclaim pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201, seeking a declaration that Morton's patents were invalid.

While the present suit was pending, Morton sued Argus Chemical Corporation in the United States District Court for the Eastern District of Louisiana for infringement of the same two patents. After a trial on the merits, the court found Morton's patents to be invalid and not infringed. *Morton Thiokol, Inc. v. Witco Chemical Corp. and Argus Chem. Corp.*, No. 84-5685 (E.D. La. 1988). On appeal, the Court of Appeals for the Federal Circuit affirmed the finding of noninfringement and vacated the finding of invalidity. *Morton Thiokol, Inc. v. Argus Chem. Corp.*, 873 F.2d 1451, 11 U.S.P.Q.2d 1152 (Fed. Cir. 1989) (non-precedential).<sup>1</sup>

<sup>1</sup> Morton has filed a third suit alleging infringement of its patents, *Morton Int'l, Inc. v. Atochem N. America, Inc.*, No. 87-60-CMW (D. Del.). That case is presently in the discovery phase.

Subsequently, the present suit went to trial. The district court found the patents not infringed and granted Cardinal's request for declaratory judgment that the patents were invalid. App. C, p. 70a. The court, however, denied Cardinal's request for a finding that the case was exceptional under 35 U.S.C. § 285. App. C, pp 69a-70a.

Morton appealed the district court's decision on the issues of validity and infringement and Cardinal cross-appealed the determination of exceptional case to the Federal Circuit. The Federal Circuit affirmed the district court's finding of noninfringement, but vacated the determination of invalidity. As justification for its decision, the court stated:

Since we have affirmed the district court's holding that the patents at issue have not been infringed, we need not address the question of validity. *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517, 3 U.S.P.Q.2d 1094, 1100 (Fed. Cir. 1987). Accordingly, we vacate the holding of invalidity.

App. A, p. 9a.

In a virtually unprecedented scenario, both Morton, the patent owner, and Cardinal, the accused infringer, petitioned the panel for rehearing arguing that the court should not vacate but should reach the validity issue. The Court denied both petitions. Apps. D-E, pp. 71a-72a. Following the panel's denial of the petitions for rehearing, the full court, by a divided vote, denied both parties' suggestions for rehearing in banc. Apps. F-G, pp. 73a-74a. Chief Judge Nies, and Judges Rich and Lourie dissented from the denial

of rehearing in banc, with Chief Judge Nies issuing a separate dissenting opinion. App. B, pp. 16a-31a.

The court's decision to vacate the finding of invalidity was not an isolated incident. The Federal Circuit began to review declaratory judgments of patent invalidity soon after it was given exclusive subject matter jurisdiction over patent appeals, 28 U.S.C. § 1295(a)(1). In fact, initially the court routinely reviewed judgments as to validity before or in conjunction with judgments of noninfringement. *See, e.g., Mannesmann Demag Corp. v. Engineered Metal Prod.*, 793 F.2d 1279 (Fed. Cir. 1986).

On June 16, 1987, the Federal Circuit issued two decisions which dramatically departed from this practice. Those decisions held that in cases in which the accused infringer has obtained a declaratory judgment of invalidity, the court's holding of noninfringement renders the issue of validity "moot" and requires that the declaratory judgment be vacated. *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517 (Fed. Cir. 1987); *Fonar Corp. v. Johnson & Johnson*, 821 F.2d 627, 634 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1027 (1988).

Since *Vieau* and *Fonar*, the Federal Circuit has routinely vacated declaratory judgments of invalidity upon finding noninfringement. *See, e.g., Environmental Instruments, Inc. v. Sutron Corp.*, 877 F.2d 1561, 1566 (Fed. Cir. 1989); *Sun-Tek Indus., Inc. v. Kennedy Sky Lites, Inc.*, 848 F.2d 179, 183 (Fed. Cir. 1988), *cert. denied*, \_\_\_ U.S. \_\_\_, 109 S. Ct. 793 (1989); *Advance Transformer Co. v. Levinson*, 837 F.2d 1081, 1084 (Fed. Cir. 1988); *Perini America, Inc. v. Paper*



*Converting Mach. Co.*, 832 F.2d 581, 584 n.1 (Fed. Cir. 1987).<sup>2</sup>

The court's practice in this regard has developed into a *per se* rule which has been the subject of significant criticism. See H. Wegner, *Morton, The Dual Loser Patentee: Frustrating Blonder-Tongue*, 74 J. Pat. & Trademark Off. Soc'y 344 (1992); J. Donofrio, *The Disposition of Unreviewable Judgments by the Federal Circuit*, 73 J. Pat. & Trademark Off. Soc'y 462 (1991); J. Re and W. Rooklidge, *Vacating Patent Invalidity Judgments Upon an Appellate Determination of Noninfringement*, 72 J. Pat. & Trademark Off. Soc'y 780 (1990); R. Harmon, *Patents & the Federal Circuit*, 551-54 (2d ed. 1991). It is this practice, as employed in the present case, which is the subject of this petition.

#### REASONS FOR GRANTING THE PETITION

##### SUMMARY OF ARGUMENT

The Federal Circuit's practice of vacating declaratory judgments of patent invalidity is predicated upon an unjustified extension of decisions of this Court and a fundamental misunderstanding of the doctrine of mootness. The court has taken what should be a

<sup>2</sup> Upon a finding of no infringement, the court also routinely vacates invalidity judgments resulting from a validity challenge raised as an affirmative defense. See, e.g., *Tol-O-Matic v. Proma Produkt-Und Mktg.*, 945 F.2d 1546, 1550 (Fed. Cir. 1991); *Winner Int'l Corp. v. Wolo Mfg. Corp.*, 905 F.2d 375, 377 (Fed. Cir. 1990); *Julien v. Zeringue*, 864 F.2d 1569, 1571 (Fed. Cir. 1989). The court, however, does not follow the practice as consistently with respect to affirmative defenses as it does in cases raising invalidity as a counterclaim. See, e.g., *Consolidated Aluminum Corp. v. Foseco Int'l*, 910 F.2d 804 n.4 (Fed. Cir. 1990).

discretionary decision and turned it into a *per se* practice. It has thereby abdicated its responsibilities and has subverted the most basic principles of the Declaratory Judgment Act, the policies of this Court and the patent laws.

The erroneous nature of the Federal Circuit's practice is most starkly illustrated by the anomalous result in this case. The patents at issue had already been found invalid by one district court at the time this case went to trial. Morton, however, was not collaterally estopped from asserting those patents because the district court's finding of invalidity was vacated by the Federal Circuit pursuant to the practice at issue in this petition. After incurring significant litigation costs, Cardinal prevailed on its declaratory judgment claim only to have that second judgment of invalidity vacated by the Federal Circuit. Morton's third action alleging infringement of these patents, with their presumption of validity accorded under 35 U.S.C. § 282, is now pending before the Delaware district court.

The Federal Circuit's practice erroneously deprives accused infringers of their district court judgment of invalidity and patent owners of a definitive judgment. This practice subverts the Declaratory Judgment Act by dramatically limiting its effect. Further, the practice undermines the policy announced by this Court in *Blonder-Tongue* by allowing relitigation of previously invalidated patents. Finally, the practice frustrates the patent laws by permitting the maintenance of tainted patents. The Federal Circuit has refused on many occasions to revise this practice. Accordingly, granting of this Petition is appropriate pursuant

to Rule 10.1(c) of the Rules of this Court.<sup>3</sup> Moreover, Chief Judge Nies recognized in her dissent from the orders denying in banc consideration that "[t]he parties can now look only to the Supreme Court for correction." App. B, p. 31a.

**I. THE BASES FOR THE FEDERAL CIRCUIT'S POSITION THAT DECLARATORY JUDGMENTS OF PATENT INVALIDITY ARE RENDERED MOOT BY THE AFFIRMANCE OF A JUDGMENT OF NONINFRINGEMENT ARE ERRONEOUS**

The Federal Circuit erroneously based its vacation of the declaratory judgment in this case upon its routine practice of vacating such judgments when it has upheld the district court's judgment of noninfringement. App. A., p. 9a. The Federal Circuit predicates this practice upon the premise that once the court has determined noninfringement as to the same patent or claims of the patent there no longer exists controversy between the parties and thus the question of validity is moot. See, e.g., *Sun-Tek*, 848 F.2d at 183 (validity issue "moot"); *Advance Transformer*, 837 F.2d at 1084 (validity issue "mooted"); *Perini*, 832 F.2d at 584 n.1 (validity issue "moot"). This practice is based upon an overly broad reading of the decisions of this Court as well as a fundamental misunderstanding of the doctrine of mootness.

First, the predicate for the Federal Circuit's determination that the invalidity claim is moot flows

<sup>3</sup> Because the Federal Circuit has exclusive jurisdiction over patent matters, a conflict among the Circuits on this issue is not possible. Certiorari is, nevertheless, clearly appropriate in such instances. *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U.S. 126, 128 (1942).

primarily from two of this Court's cases, *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U.S. 241 (1939), and *Altwater v. Freeman*, 319 U.S. 359 (1943). As Chief Judge Nies cogently points out, neither of these cases supports the Federal Circuit's practice. In fact, these cases actually support an opposite result in this case. App. B, pp. 19a-22a.

In *Electrical Fittings*, this Court held that defendants in a patent infringement suit which had been dismissed for failure to prove infringement were entitled to have eliminated that portion of the judgment which, in ruling on the defendant's affirmative defense, held one of the claims of the patent valid. 307 U.S. at 242. This holding is predicated upon the principle that no defendant in any lawsuit has the right to an adjudication of issues raised by way of affirmative defenses if the plaintiff has not made a *prima facie* case.

*Altwater* involved the question of whether a declaratory judgment counterclaim for invalidity should be treated the same as an affirmative defense of invalidity had been treated in *Electrical Fittings*. The Court found that it should not. Specifically, the Court found that a counterclaim for declaratory judgment of invalidity is fundamentally different from an affirmative defense of invalidity and must be decided so long as a case or controversy continues to exist at the time the case is under review. 319 U.S. at 363-64.

The Federal Circuit has interpreted these decisions as holding that, upon a finding of noninfringement, counterclaims for declaratory judgment of invalidity must be evaluated to determine whether there exists a controversy beyond the dispute delineated in the



patentee's infringement claim. If no such controversy is found, the declaratory judgment is vacated as "moot." *Vieau*, 823 F.2d at 1518-21 (J. Bennett, concurring); *Fonar*, 821 F.2d at 634; *Advance Transformer*, 837 F.2d at 1084. *Altvater* neither supports, nor requires such an analysis.

As set forth in Chief Judge Nies' dissent, *Altvater* must be read in context. App. B, pp. 21a. The party seeking a declaratory judgment of invalidity in *Altvater* was a licensee. At the time *Altvater* was decided, the doctrine of licensee estoppel limited a licensee's ability to attack the validity of the licensed patent to a very narrow set of circumstances.<sup>4</sup> This Court's discussion of case or controversy in *Altvater* was quite clearly limited to the question of the continued viability of a declaratory judgment counterclaim raised by a licensee and must be read in that context. The Federal Circuit has extended *Altvater* to situations neither contemplated nor addressed in that decision. As Chief Judge Nies stated:

To interpret *Altvater* broadly as requiring an accused infringer who is not a licensee to prove that its counterclaim for invalidity goes beyond the scope of the patentee's complaint in order to establish a case or controversy has never been warranted. Such an extension of *Altvater* leads to the absurd result that an accused infringer can obtain a declaratory judgment for claims of the patent which were not asserted in the patentee's suit but not those that were, whereas the patentee's suit

<sup>4</sup>This Court overruled the doctrine of licensee estoppel in *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969).

in itself shows that the controversy rages as to the asserted patent claims.

App B., p. 21a (emphasis in original).

Secondly, the Federal Circuit's practice of vacating invalidity determinations upon a finding of noninfringement is based upon a fundamental misunderstanding of the doctrine of mootness. As Chief Judge Nies notes, mootness comes in two forms: (1) "jurisdictional" mootness, which arises when the dispute underlying an issue no longer exists and thereby deprives the court of jurisdiction over the case, *i.e.*, there is no case or controversy, *Powell v. McCormack*, 395 U.S. 486, 496 n.7 (1969); and (2) "prudential" mootness which occurs when a court chooses, as a matter of discretion, to address one dispositive issue rather than another. See *United States v. Leon*, 468 U.S. 897, 924-25 (1984); *Penthouse Int'l v. Meese*, 939 F.2d 1011, 1019-20 (D.C. Cir. 1991); *Air Line Pilots Ass'n, Int'l v. UAL Corp.*, 897 F.2d 1394, 1397 (7th Cir. 1990); App. B, p. 24a.

In vacating declaratory judgments of invalidity, the Federal Circuit confuses and, accordingly, improperly merges the two forms of mootness. When first enunciating in *Vieau* the rationale for its practice of vacating declaratory judgments of invalidity, the Federal Circuit held:

Since there is no indication in the present case that the controversy between the parties extends beyond the accused devices found to be non-infringing, this court properly exercises its discretion to dismiss the cross-appeal in this case as moot.



823 F.2d at 1521. Such a holding is self-contradictory. If there truly is no case or controversy, vacation is not discretionary, but required. Conversely, if the court is exercising its discretion, it must be doing so for reasons other than the lack of a case or controversy.

Despite the Federal Circuit's confusion, it is clear that the court's practice of vacating declaratory judgments of invalidity should be one of discretion, rather than mandate. This is the case regardless of the scope of the patentee's infringement suit. As Judge Lourie noted in his concurring opinion:

when both infringement and validity issues are presented on appeal, we can base our affirmance on both grounds, thereby leaving a complete judgment available for review by the Supreme Court. We are not compelled to address both or to address them in any order. The power to choose one or the other is not a matter of policy, but of discretion, considering the circumstances of the individual case.

App. A, pp. 12a-13a; see also App. B, pp. 25a-26a.

Decisions of this Court support Judge Lourie's conclusion. In *Deposit Guaranty Nat'l Bank v. Roper*, 445 U.S. 326 (1980), this Court, in discussing its decision in *Electrical Fittings*, noted the distinction between a "judgment in favor of a party at an intermediate stage of litigation" and "the definitive mootness of a case or controversy, which ousts the jurisdiction of the federal courts and requires dismissal of the case." *Deposit Guaranty*, 445 U.S. at 335. This distinction means that while a claim, such as Cardinal's counterclaim for declaratory judgment

of invalidity may become moot pending the appellate court's decision on the merits, *United States v. Munsingwear, Inc.*, 340 U.S. 36, 39 (1950), it cannot be jurisdictionally mooted by the Federal Circuit's holding of noninfringement. *Karcher v. May*, 484 U.S. 72, 84 (1987) (*Munsingwear* doctrine does not apply when "controversy did not become moot due to circumstances unattributable to any of the parties").

The Federal Circuit's practice is clearly not supported either by the decisions of this Court or by the mootness doctrine. The remainder of this petition will demonstrate that the court's practice is not even a proper exercise of discretion, but merely the rote incantation of a policy. This practice effectively eviscerates basic policies of the Declaratory Judgment Act, this Court's ruling in *Blonder-Tongue* and the United States patent system.

## II. THE FEDERAL CIRCUIT'S PRACTICE OF VACATING DECLARATORY JUDGMENTS OF INVALIDITY WHEN NO INFRINGEMENT IS FOUND IS AN ABUSE OF DISCRETION WHICH SUBVERTS THE DECLARATORY JUDGMENT ACT AND THE PUBLIC POLICIES WHICH UNDERLIE THE PATENT SYSTEM

### A. Application Of A Per Se Rule To A Discretionary Matter Is Reversible Error

The Federal Circuit's practice of vacating declaratory judgments of patent invalidity upon a finding of noninfringement has become a fixed practice. One Judge refers to the practice as the court's "established procedure." *Gould v. Control Laser Corp.*, 866 F.2d 1391, 1397 (Fed. Cir. 1989) (J. Nichols, dissenting). In consistently relying on this "established procedure," the court is not exercising discretion, but improperly establishing a rule. It is a consistent prin-

ciple of law that "the application of a *per se* rule to a matter that requires the exercise of discretion would constitute reversible error." *Perez v. Ortiz*, 849 F.2d 793, 798 (2d Cir. 1988) (citing *Plunkett v. Johnson*, 828 F.2d 954, 956 (2d Cir. 1987)).

As this Court has explained: "a rule applicable to all cases is not to exercise discretion. Such a rule ignores the differences which invoke discretion, and which can alone justify its exercise . . . ." *United States ex rel. Steinmetz v. Allen*, 192 U.S. 543, 563 (1904).

Thus, the Federal Circuit's discretion is not unlimited, but circumscribed by "the differences which invoke discretion." Among the "differences" which circumscribe the court's discretion in this case are the Declaratory Judgment Act and the policies this Court has enunciated with respect to the operation of the patent laws.

#### B. Declaratory Judgment Act

The Declaratory Judgment Act was enacted to provide a remedy to persons seeking a declaration of their rights in cases of actual controversy. 19 U.S.C. § 2201. It has been held that:

The two principal criteria guiding the policy in favor of rendering declaratory judgments are (1) when the judgment will serve a useful purpose in clarifying and settling the legal relations in issue, and (2) when it will terminate and afford relief from uncertainty, insecurity and controversy giving rise to the proceeding.

*Grand Trunk Western R.R. Co. v. Consolidated Rail Corp.*, 746 F.2d 323, 326 (6th Cir. 1984) (quoting E. Bourchard, *Declaratory Judgments* 299 (2d ed. 1941)).

As the Federal Circuit itself has recognized, the ability to obtain declaratory judgments is particularly important in patent cases. *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 735 (Fed. Cir. 1988) ("After the Act, those competitors were no longer restricted to an *in terrorem* choice between the incurrance of a growing potential liability for patent infringement and abandonment of their enterprises"); *Goodyear Tire & Rubber Co. v. Releasomers*, 824 F.2d 953, 956 (Fed. Cir. 1987) (the purpose of the Declaratory Judgment Act "in patent cases is to provide the allegedly infringing party relief from uncertainty and delay regarding its legal rights"); see also *Altwater*, 319 U.S. at 365; Bourchard at 815.

In light of its recognition of the importance of declaratory judgments in the patent context, it is particularly ironic that the Federal Circuit, through its practice of routinely vacating such judgments, only allows a defendant infringer to avail itself of the remedy of invalidating the patent in those situations in which it has first been found guilty of infringement.

It is well recognized that an alleged infringer may still have a reasonable apprehension of future litigation and, thus, a viable claim under the Declaratory Judgment Act even when the infringement claim has been withdrawn. *Shelcore, Inc. v. Durham Indus., Inc.*, 745 F.2d 621, 624 (Fed. Cir. 1984) ("But Shelcore could not unilaterally remove the invalidity issue because Durham's counterclaim put the validity of all the claims in issue"); *Air Vend, Inc. v. Thorne Indus., Inc.*, 625 F. Supp. 1123, 1128 (D. Minn. 1985), *aff'd*,



831 F.2d 306 (Fed. Cir. 1987). Nevertheless, the Federal Circuit's *per se* practice presumes the counterclaim for invalidity to be redundant and, therefore, fails even to consider the possibility of a continuing controversy.

In this case, the district court entered judgments on both the affirmative claim of infringement and the counterclaim of invalidity. App. C, p. 70a. Implicit in the district court's holding, therefore, is the conclusion that a judgment on the counterclaim was necessary to settle the rights of the parties more completely.<sup>5</sup> *Altwater*, to the extent it remains viable, appears to mandate that the Federal Circuit review both judgments on the merits under such circumstances. 319 U.S. at 363-64. By vacating the judgment on the counterclaim instead, the Federal Circuit has effectively overruled the district court's determination that judgment on the counterclaim was necessary and, thereby, deprived Cardinal of its judgment without any reason save the invocation of its policy and a citation to *Vieau*.

As noted above, the purpose of the Declaratory Judgment Act is to provide relief when "the judgment will serve a useful purpose," and when it "will terminate and afford relief from uncertainty, insecurity, and controversy." *Grand Trunk*, 746 F.2d at 326. In the patent context, the Act provides a party with relief from "uncertainty and delay regarding its legal rights." *Goodyear*, 824 F.2d at 956.

Reviewing the district court's judgment that Morton's patents are invalid clearly serves these purposes

<sup>5</sup> Chief Judge Nies noted this fact in her opinion dissenting from the suggestion for rehearing in banc. App. B, pp. 29a.

regardless of the Federal Circuit's finding of no infringement. As Judge Nies pointed out:

Once the patentee creates a legitimate fear in an adversary that the patent will be asserted against it, nothing short of the patentee's unconditional guarantee not to do so under any circumstances ordinarily will remove that apprehension and thereby jurisdictionally moot the claim for declaratory relief.

App. B, p. 27a. Cardinal did not assert its counterclaim merely as an affirmative defense, but rather to obtain a declaration of its legal rights in the face of general threats from Morton regarding alleged infringement of Morton's patents. Moreover, Cardinal manufactures and continues to develop products containing organotin compounds similar to those subject to Morton's infringement charges. The Declaratory Judgment Act entitles Cardinal to "relief from uncertainty, insecurity, and controversy" with regard to these issues. The Federal Circuit, without rational explanation, has deprived Cardinal of that relief.

### C. Patent Policy

In *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971), this Court extended the principle of collateral estoppel in the patent context. Specifically, this Court held that a party who has had one full and fair opportunity to litigate the validity of a patent is estopped from relitigating the same issue in a subsequent action against a different defendant. In support of this conclusion this Court found that there is "an arguable misallocation of resources" in permitting "a litigant more

than one full and fair opportunity for judicial resolution of the same issue." *Id.* at 328-29. This misallocation is particularly acute in patent cases as "the expense of defending a patent suit is often staggering to the small businessman." *Id.* at 334 (quoting *Picard v. United Aircraft Corp.*, 128 F.2d 632, 641 (2d Cir. 1942) (J. Frank, concurring)).

The Federal Circuit's practice of vacating, as a matter of course, declaratory judgments of patent invalidity when there is a finding of no infringement flies in the face of both the letter and the spirit of *Blonder-Tongue*. Nowhere is this more starkly demonstrated than by the facts of this case.

Had the Federal Circuit not vacated the *Argus* judgment, this case would never have gone to trial. *Blonder-Tongue* would have collaterally estopped Morton from relitigating the patents. Instead, Cardinal was forced to expend over a million dollars on state of the art experiments and on attorneys fees and costs in defending itself and prosecuting its declaratory judgment counterclaim.

The Federal Circuit, however, added insult to injury. By vacating the declaratory judgment in *Argus*, the court permitted Morton to continue its suit against Cardinal and then used the same practice to deprive Cardinal of its hard earned declaratory judgment. Moreover, despite having its patents found invalid by two district courts, the court has given Morton license to pursue a third action on these patents which is currently pending before the Delaware district court.

Such an anomalous scenario was precisely what this Court sought to prohibit in *Blonder-Tongue*. As it stands, Morton has had not one but two "full and

fair opportunities" to resolve the validity of its patents and is in the midst of its third. Cardinal, a small family-owned business, has incurred "staggering" expenses in invalidating the patents, yet remains exposed to future suits by a direct competitor which has shown a determination to aggressively enforce these patents. The resources of all of the parties, the district courts and the Federal Circuit are clearly wasted by this practice. Thus, the Federal Circuit is frustrating the policies enunciated in *Blonder-Tongue* without articulating any competing policies to justify its practice.

Next, the Federal Circuit's practice is directly contrary to this Court's instruction in *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327 (1945), that in a patent infringement suit, the better practice is to inquire fully into the validity of the patent at issue, and not to dispose of the suit without going into the question of validity. *Id.* at 330. The Court indicated that the basis for this policy was that "of the two questions, validity has the greater public importance." *Id.*; see also *Cover v. Schwartz*, 133 F.2d 541 (2d Cir. 1942).

Finally, the Federal Circuit's practice derogates Congressional intent embodied in 35 U.S.C. § 112. Congress has chosen to reward inventors of new and useful devices with a patent only after stringent requirements for patentability embodied in the Patent Act have been met and, even then, only for a limited term. A patent rewards an inventor for creating something which did not previously exist and from which the public may benefit. It follows that objects not possessing the qualities of invention, novelty and nonobviousness or other statutory criteria for pat-

entability, do not qualify for patent protection, but properly belong in the public domain. Therefore, a patent which fails to meet the Congressionally imposed criteria is "anomalous" and a blight against the integrity of the patent system. *Blonder-Tongue*, 402 U.S. at 343; *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969).

This is one of the reasons the Declaratory Judgment Act is particularly important in the patent context. The Federal Circuit has itself recognized this fact:

[t]he Act serves the policies underlying the patent laws by enabling a test of the validity and infringement of patents that are possibly being used only as what Learned Hand, in *Bresnick v. United States Vitamin Corp.*, 139 F.2d 239, 242, 59 U.S.P.Q. 345, 348 (2d Cir. 1943), called "scarecrows."

*Arrowhead*, 846 F.2d at 735 n.4.

Despite recognition of the strong policy interest in removing invalid patents from the books, however, the Federal Circuit, through its practice of routinely vacating declaratory judgments of invalidity, has allowed scores of such patents to remain in force. Allowing Morton to retain its patent monopoly after twice having its patents found invalid does great violence to the most basic principles of the patent system.

### III. CONCLUSION

For all the reasons set forth herein, Petitioners respectfully request that the Court issue a writ of certiorari to review the judgment of the Court of Appeals for the Federal Circuit.

Respectfully submitted,

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Dated: July 16, 1992



## APPENDIX

APPENDIX A

United States Court of Appeals for the Federal Circuit

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91-1174,-1175

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MORTON INTERNATIONAL, INC.,  
Plaintiff -Appellant,

v.

CARDINAL CHEMICAL COMPANY, a partnership,  
W.M. QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM,  
and W.M. QUATTLEBAUM, III, individuals,  
CARDINAL MANUFACTURING CO., and  
CARDINAL STABILIZERS, INC.,  
Defendants/Cross-Appellants.

*Gordon R. Coons*, *Leydig, Voit & Mayer*, of Chicago, Illinois, argued for plaintiff-appellant. With him on the brief were *John E. Resenquist* and *Jeffrey S. Ward*. Also on the brief was *Gerald K. White*, Morton International, Inc., of Chicago, Illinois.

*Charles F. Schill*, *Adduci, Mastriani, Meeks & Schill*, of Washington, D.C., argued for defendants/cross-appellants. With him on the brief were *William O. Sweeny III*, *Arthur L. Coleman*, *Nelson Mullins* and *Elizabeth R.P. Bowen*, *Riley & Scarborough*, of Columbia, South Carolina.

*Jerome G. Lee*, of Arlington, Virginia, was on the brief for Amicus Curiae, American Intellectual Property Law Association. With him on the brief were *William C. Rooklidge* and *Joseph R. Re*, *Knobbe, Martens, Olson & Bear*, of Newport Beach, California. Also on the brief were *Walter N. Kirn* and *William L. LaFuze*, of counsel.

*Brian G. Brunsvold*, *Finnegan, Henderson, Farabow, Garrett & Dunner*, of Washington, D.C., was on the brief

for Amicus Curiae, Atochem North America, Inc. With him on the brief were *Herbert H. Mintz*, *Richard B. Racine* and *Michael D. Kaminski*. Also on the brief was *Stanley A. Marcus*, Deputy General Counsel - Patents, Atochem North America, Inc., Philadelphia, Pennsylvania, of counsel.

Appealed from: U.S. District Court for the  
District of South Carolina

Judge Catoe

United States Court of Appeals for the Federal Circuit

91-1174,-1175

MORTON INTERNATIONAL, INC.,  
Plaintiff -Appellant,

v.

CARDINAL CHEMICAL COMPANY, a partnership,  
W.M. QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM,  
and W.M. QUATTLEBAUM, III, individuals,  
CARDINAL MANUFACTURING CO., and  
CARDINAL STABILIZERS, INC.,

Defendants/Cross-Appellants.

Decided: March 20, 1992

Before MAYER, LOURIE, and CLEVINGER, *Circuit Judges*.

PER CURIAM.

This appeal and cross-appeal are from the December 14, 1990, judgment of the United States District Court for the District of South Carolina, 6:83-889-OK. The patentee, Morton International, Inc., contends that the district court erred in finding its U.S. Patents 4,062,881 ('881) and 4,120,845 ('845) not infringed by Cardinal Chemical Company, et al.; and in concluding that both patents are invalid. Cardinal contends that the district court erred in failing to award attorney fees for an exceptional case under 35 U.S.C. § 285, and that this court should sanction Morton's appeal as frivolous. We affirm the court's judgment in all respects, except we vacate that part of the

judgment holding the '881 and '845 patents invalid. We also reject Cardinal's assertion that this appeal is frivolous.

### BACKGROUND

The patents in suit are directed to a family of compounds which are used as additives or heat stabilizers for polyvinyl chloride (PVC). The heat stabilizers protect the PVC from decomposition, discoloration, and loss of strength. The particular heat stabilizers disclosed in the '881 and '845 patents are directed to organotin compounds, in particular to organotin mercaptoalkyl carboxylic acid ester sulfides. Only Claim 1 of each patent is at issue.<sup>1</sup> The key limitations of the claims are (1) the bonding of the organotin compound, referred to by the parties as "partial connectivity," wherein a tin atom is bonded to a sulfur atom, the sulfur atom is bonded to a second tin atom, and the second tin atom is bonded to a mercaptoalkyl ester (referred to by the parties as a "reverse ester"); and (2) "the organotin compound [has] an amount of tin within the range from 10 to 42% by weight and an amount of sulfur within the range from 8 to 42% by weight."

<sup>1</sup> Claim 1 of the '881 patent is representative for our purposes:

1. A monoorganotin or diorganotin mercaptoalkyl ester of a carboxylic acid or mercapto hydroxyalkyl ester of a carboxylic acid mono or polysulfide useful as a stabilizer for improving the resistance to deterioration of vinyl chloride polymers when heated at 350°F, containing at least one tin atom [sic, atom] having one to two hydrocarbyl groups having from 1 to 20 carbon atoms and selected from the group consisting of alkyl, aryl, cycloalkyl, aralkyl and alkenyl and linked to the tin through carbon, at least one mercaptoalkyl ester of a carboxylic acid group linked to tin through the sulfur of the mercaptoalkyl group and at least one mono or polysulfide sulfur group bonded exclusively to tin, the organotin compound having an amount of tin within the range from 10 to 42% by weight and an amount of sulfur within the range from 8 to 42% by weight.

The '881 and '845 patents have had considerable exposure to the courts, as Morton has filed infringement actions in three separate district courts against different defendants. In the first, Morton filed suit against Argus Chemical Corporation in the United States District Court for the Eastern District of Louisiana. After trial, the district court entered judgment, holding the patents invalid and not infringed. *Morton Thiokol, Inc. v. Witco Chemical Corp.*, et al. No. 84-5685 (E.D. La., filed November 28, 1984).

On appeal, we affirmed the district court's judgment of noninfringement and vacated the invalidity judgment, ruling that the affirmance made it unnecessary to review the issue of invalidity. *Morton Thiokol, Inc. v. Argus Chemical Corp.*, No. 88-1553, 11 USPQ2d 1152 (Fed. Cir., April 3, 1989) (non-precedential).

In the second action, the appeal of which is now before this court, Morton again filed suit, this time against Cardinal, alleging that Cardinal sold mixtures containing the claimed compounds. After trial, the district court made lengthy findings and conclusions and held that the claims were invalid under 35 U.S.C. § 112 because the specification was not enabling and the claims were indefinite. It further held that Cardinal's heat stabilizer products did not infringe those claims, either literally or under the doctrine of equivalents. Morton and Cardinal now appeal and cross-appeal this judgment, requiring us to review once more the infringement and/or validity of the '881 and '845 patents.<sup>2</sup>

<sup>2</sup> A third action, filed by Morton against Atochem North America, Inc. in the United States District Court for the District of Delaware for infringing the same Morton patents, is in the discovery phase. *Morton International, Inc. v. Atochem North America, Inc.*, No. 87-60-CMW (D. Del., filed February 9, 1987). Atochem has filed a brief as *amicus curiae* in the present appeal, urging the affirmance of the district court's judgment of invalidity. The American Intellectual Property Law Association has also filed a brief as *amicus curiae*.



## DISCUSSION

## I.

A finding of literal infringement requires that the asserted claims, as properly construed, read on the accused product. *Envirotech Corp. v. Al George, Inc.*, 730 F.2d 753, 758, 221 USPQ 473, 477 (Fed. Cir. 1984). The patentee has the burden of proving infringement by a preponderance of the evidence. *SmithKline Diagnostics, Inc. v. Helena Laboratories Corp.*, 859 F.2d 878, 889, 8 USPQ2d 1468, 1477 (Fed. Cir. 1988). The first step in determining infringement is thus to construe the claims. *Fonar Corp. v. Johnson & Johnson*, 821 F.2d 627, 631, 3 USPQ2d 1109, 1112 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1027 (1988). The second step is to decide whether each limitation in the properly construed claims is found, either literally or equivalently, in the allegedly infringing compounds. *Id.* Although claim interpretation is a question of law, subject to *de novo* review on appeal, the district court's ultimate finding on infringement, as well as subordinate findings relating to proper claim construction, are issues of fact, reviewed under a clearly erroneous standard. *See H.H. Robertson, Co. v. United Steel Deck, Inc.*, 820 F.2d 384, 389, 2 USPQ2d 1926, 1929, (Fed. Cir. 1987) (interpretation of a claim may depend on evidentiary material about which there is a factual dispute); *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1269-70, 229 USPQ 805, 811 (Fed. Cir. 1986) (determination of infringement is a question of fact), *cert. denied*, 479 U.S. 1030 (1987).

Morton argues that the district court erred in interpreting Claim 1 and that the court's misinterpretation resulted in errors in the court's conclusions as to both infringement and invalidity. More particularly, Morton claims that the district court misconstrued the claims by restricting the type of evidence Morton could use to show the existence of the claimed compound in Cardinal's mixture to: (1) isolation and (2) nuclear magnetic resonance

(NMR) data showing simultaneous tin-tin coupling and Carbon-13 splitting as the only method to prove the partial connectivity of Claim 1. We disagree.

On review of the record, it is clear that the district court did not construe Claim 1 to require isolation. The court merely required Morton to identify the claimed compounds in Cardinal's mixtures to confirm their existence. The court specifically found that "[n]o amount of testing by equipment or methods available [ ] can identify, isolate or separate any compound claimed by the '881 or '845 patents." Morton's reliance on *In re Breslow*, 616 F.2d 516, 205 USPQ 221 (CCPA 1980), to show error in the district court's finding is misplaced.

In *Breslow*, the compound in question could not be isolated, but was conceded to exist. The court expressly recognized that the existence of the compound was not in question. *Id.* at 518, 205 USPQ at 224. In the present case, however, the existence of the claimed partial connectivity in the Cardinal mixture is the essence of the dispute, and its existence has never been established. The court specifically acknowledged that under *Breslow*, "it is not imperative that the compounds be isolated in order to be claimed." The court, in determining whether the claims were infringed, used isolation as simply a possible means of such proof.

At trial, one of the ways Morton suggested one could analytically prove the existence of the claimed partial connectivity in Cardinal's mixtures was high-resolution Tin-119 NMR. However, the court observed the conflicting testimony of Morton's expert, Dr. Mesch, and Cardinal's NMR expert, Dr. Ellis, and found Dr. Ellis's more credible. The court found Dr. Mesch's identification of "at least eight peaks in a spectrum of the Cardinal product as possibly having the claimed [partial connectivity]" discredited by Dr. Ellis's conclusions that some of Mesch's identified peaks did not indicate the partial connectivity, but were



caused by other elements present in the sample. The court determined that:

even after Morton and Cardinal have each expended extraordinary sums of money on state of the art testing, these organotin components of the accused Cardinal products cannot be identified as containing the claimed connectivity as specified in the '881 and '845 patents.

It further determined that there is "no objective support for the actual existence of the claimed connectivities." Therefore, the court had no reason to determine whether Cardinal's product contained the specified weight percentages of tin and sulfur claimed in the patents at issue.

Morton also argues that its building block theory shows the existence of the claimed partial connectivity, and that the district court failed to consider it. This theory is essentially that the Cardinal stabilizers contain four moieties—butyltin, sulfide, mercaptoethyltallate, and mercaptoethanol—and that these structures or "building blocks" can combine to form particular compounds, at least some of which contain the claimed connectivity. The compounds containing the claimed connectivity are assumed to be indicated by certain portions of the NMR spectra.

The record shows that the district court considered and rejected Morton's building block theory, concluding that the theory did "not demonstrate the existence of claimed compounds in Cardinal's product which is a complex mixture resulting from Cardinal's process." Even assuming Morton's position that certain molecular fragments can be positively identified in the NMR spectra as being other compounds (non-claimed compounds and prior art stabilizers), our review of the record shows that it is mere speculation to assume that what remains is a claimed compound, *i.e.*, compounds that have the partial connectivity. Cardinal's evidence, based on expert testimony from Drs. Story and Eisch, showed that by performing the re-

actions allegedly taught in the '881 patent, one skilled in the art would not necessarily obtain the compounds containing the claimed partial connectivity. In fact, Dr. Story determined that a number of compounds within the claimed ranges of the tin and sulfur percentages are theoretically possible, but that they did not have the weight ranges of Claim 1. Morton's theory still results in a number of unknown compounds remaining in the spectra. Thus, there is only a possibility of the existence of the claimed compounds in the spectra, and that was not convincing enough to the court to prove infringement.

In summary, to show infringement, Morton was required to prove that every limitation in the claims was met, including the limitation that the partial connectivity existed in Cardinal's stabilizers. The district court found that Morton failed to prove that Cardinal's products contained the claimed partial connectivity. This finding was not clearly erroneous.

Since we have affirmed the district court's holding that the patents at issue have not been infringed, we need not address the question of validity. *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517, 3 USPQ2d 1094, 1100 (Fed. Cir. 1987). Accordingly, we vacate the holding of invalidity.

Cardinal asserts in its cross-appeal that the district court erred in failing to award attorney fees and in failing to find this case "exceptional" under 35 U.S.C. § 285, because, *inter alia*, Morton effectively retried a case that it earlier lost. *Morton Thiokol, Inc. v. Witco Chemical Corp., et al.*, No. 84-5685 (E.D. La., filed November 28, 1984). Whether a case is exceptional or not is a factual determination subject to appellate review under the clearly erroneous standard. *Reactive Metals and Alloys Corp. v. ESM, Inc.*, 769 F.2d 1578, 1583, 226 USPQ 821, 824 (Fed. Cir. 1985). At the end of the trial, the district court acknowledged that "[t]his case is close"; then, in a lengthy and well-reasoned opinion, the court specifically found that

"[d]espite having some serious reservations as to Morton in fact retrying the *Argus* case, this court does not find that this action constitutes an exceptional case under 35 U.S.C. § 285." We find no clear error in this result.

Based on reasoning similar to its arguments on the exceptional case issue, Cardinal also asks this court to sanction Morton for a frivolous appeal. We decline to do so. Even though we agree with the district court's finding against Morton on the question of infringement, we accept that Morton did have an argument that was new to this case, one that apparently it was not in a position to raise earlier. Thus, based on a review of the record, we determine that Morton had a basis in law and fact for filing suit and bringing this appeal. *Cf. Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1154-55, 220 USPQ 193, 203-04 (Fed. Cir. 1983). Thus, we affirm the district court's denial of attorney fees and decline to impose sanctions for a frivolous appeal. We also see no merit in Cardinal's contention that the district court failed to consider evidence of Morton's inequitable conduct before the Patent and Trademark Office. The record reveals that the district court considered but rejected the evidence.

### CONCLUSION

For the foregoing reasons, the district court's judgment is affirmed-in-part and vacated-in-part.

### COSTS

Costs to cross-appellants.

**AFFIRMED-IN-PART and VACATED-IN-PART**

## United States Court of Appeals for the Federal Circuit

91-1174,-1175

MORTON INTERNATIONAL, INC.,  
Plaintiff -Appellant,  
v.

CARDINAL CHEMICAL COMPANY, a partnership,  
W.M. QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM,  
and W.M. QUATTLEBAUM, III, individuals,  
CARDINAL MANUFACTURING CO., and  
CARDINAL STABILIZERS, INC.,  
Defendants/Cross-Appellants.

LOURIE, *Circuit Judge*, concurring:

I concur with the result of the panel's decision. I write separately to differ with the panel in its decision to review the judgment of noninfringement rather than that of invalidity. The case before us illustrates why, in an appropriate case, we should review an invalidity judgment first, and, if we affirm, then vacate or simply not rule on the infringement issue.

Both parties, including *amici*, ask that we review our "policy" stated in *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517, 3 USPQ2d 1094 1100 (Fed. Cir. 1987) that, when affirming a district court judgment on noninfringement, we vacate the district court's invalidity conclusion. In several recent cases in which a patent has been found invalid and not infringed, this court has affirmed the holding of noninfringement and vacated the holding of invalidity. *E.g.*, *Wilson Sporting Goods Co. v. David Geoffrey & Assoc.*, 904 F.2d 677, 686, 14 USPQ2d 1942, 1950 (Fed. Cir.), *cert. denied*, \_\_\_ U.S. \_\_\_, 111 S. Ct. 537 (1990); *Environmental Instruments, Inc. v. Sutron Corp.*, 877 F.2d 1561, 1566,



11 USPQ2d 1132, 1136 (Fed. Cir. 1989); *Sun-Tek Indus., Inc. v. Kennedy Sky Lites, Inc.*, 848 F.2d 179, 183, 6 USPQ2d 2017, 2020 (Fed. Cir. 1988). This practice has been criticized as wasting public and private resources that have been expended in holding a patent invalid. See John Donofrio, *The Disposition of Unreviewable Judgments by the Federal Circuit*, 73 JPTOS 462 (1991); Joseph R. Re & William C. Rooklidge, *Vacating Patent Invalidity Judgments Upon an Appellate Determination of Noninfringement*, 72 JPTOS 780 (1990).

When a patent has been finally adjudicated to be not infringed and further appellate review is not possible, there generally is no longer a case or controversy and the question of validity becomes moot. *Altwater v. Freeman*, 319 U.S. 359, 363, 57 USPQ 285, 288 (1943) ("To hold a patent valid that is not infringed is to decide a hypothetical case.").<sup>1</sup> Conversely, when a patent is similarly adjudicated as invalid, the infringement issue becomes moot. *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 330, 65 USPQ 297, 299 (1945). However, because this court is not a court of last resort, a holding of either invalidity or noninfringement by our court does not render the case moot because it is not over. Therefore, when both infringement and validity issues are presented on appeal, we can base our affirmance on both grounds, thereby leaving a complete judgment available for review by the Supreme Court.<sup>2</sup> We are not compelled to address both or to address

<sup>1</sup> However, when a case arises consisting of a counterclaim for invalidity which is the subject of a cross-appeal or a separate appeal and the controversy between the parties extends beyond the litigated claims or the accused devices, the invalidity issue will not be moot. *Altwater*, 319 U.S. at 363-64, 57 USPQ at 288; *Vieau*, 823 F.2d 1517-21, 3 USPQ2d at 1100-03 (Bennett, J., concurring).

<sup>2</sup> On a number of occasions, this court has reviewed, in precedential cases, both holdings. E.g., *Mannesmann Demag Corp. v. Engineered Metal Prods. Co.*, 793 F.2d 1279, 1280-81, 230 USPQ 45, 45 (Fed. Cir. 1986); *Shelcore, Inc. v. Durham Indus.*, 745 F.2d 621, 630, 223 USPQ 584, 591 (Fed. Cir. 1984).

them in any order. The power to choose one or the other is not a matter of policy, but of discretion, considering the circumstances of the individual case. If we agree with the district court that no past, present, or future threat of infringement of a patent exists, there may be no need to address the issue of validity. Likewise, if we agree with the district court's determination that a patent is invalid, there may be no need to address issues with respect to infringement.<sup>3</sup> Our affirmance on either ground may render a decision as to the other unnecessary. Here, the circumstances illustrate that this court should answer the invalidity question, but need not deal with infringement.

The patents involved in this case have been through two full bench trials and are now before this court for the second time. As the Supreme Court noted in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 328-29, 169 USPQ 513, 519 (1971), there is "an arguable misallocation of resources" in permitting "a litigant more than one full and fair opportunity for judicial resolution of the same issue."

If we vacate the invalidity holding here, as the panel has decided, this patentee will have a third opportunity to defend a patent that twice has been held invalid by a district court. This is not consistent with *Blonder-Tongue* and all parties lose. Morton, who has twice sued under its presumptively-valid patent and lost, still may feel that it can and must prosecute other suits. The presumption of validity has been shaken, but not destroyed. The public

<sup>3</sup> Indeed, in a number of precedential cases, this court ruled on invalidity or unenforceability and either did not reach or vacated the non-infringement determination. E.g., *Consolidated Aluminum Corp. v. Fosco Int'l Ltd.*, 910 F.2d 804, 808 n.4, 15 USPQ2d 1481, 1483 n.4 (Fed. Cir. 1990); *Dana Corp. v. IPC Ltd.*, 860 F.2d 415, 417, 8 USPQ2d 1692, 1694 (Fed. Cir. 1988), cert. denied, 490 U.S. 1067 (1989); *A.B. Dick Co. v. Burroughs Corp.*, 798 F.2d 1392, 1393, 230 USPQ 849, 850 (Fed. Cir. 1986).



does not know whether it can practice the invention allegedly covered by a patent twice held invalid by a district court, but partially resurrected by this court. Even Cardinal, apparently a winner here because we have affirmed a finding of noninfringement, does not know whether this patent will obstruct future plans it may have in the field. Moreover, there is a public interest involved in the question of the validity of a patent. *Sinclair*, 325 U.S. at 330, 65 USPQ at 299 ("of the two questions [non-infringement and invalidity], validity has the greater public interest").

In some cases, judicial economy may dictate that we affirm on noninfringement and vacate as to validity, but here, such action would add additional expense to the judicial costs, considering the multiple suits which Morton has brought. Bringing a patent action is an expensive and time-consuming endeavor, as is defending one.

All parties are entitled to a decision affirming or reversing the trial court's holding of invalidity of these patents so that they can plan their future affairs accordingly. We can and should reach that issue.

35 U.S.C. § 112 requires that an invention be described "in such full, clear, concise, and exact terms as to enable any person skilled in the art . . . to make and use the same." At trial, Cardinal had the burden of proving lack of enablement of the '881 and '845 patents by clear and convincing evidence. *See* 35 U.S.C. § 282. We review the court's determination of lack of enablement as a question of law. *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1268, 229 USPQ 805, 811 (Fed. Cir. 1986), *cert. denied*, 479 U.S. 1030 (1987).

The specification purports to teach, with over fifty examples, the preparation of the claimed compounds with the required connectivity. However, on review of the record, there is considerable evidence showing that those skilled in the art could not make the claimed compounds using the procedures of the specification, and no evidence

that such compounds even exist. The district court found that

[e]ven with the aid of sophisticated analytical instrumentation and the use of model systems which attempt to provide the compounds claimed in the '881 patent, however, there is no evidence that such compounds exist. The clear and convincing evidence has shown that the examples of the '881 patent do not produce the postulated compounds. Rather, the examples and procedures produce a complex mixture of alkyltin mercaptides and alkyltin sulfides. The evidence established that a number of these are prior art compounds known to be useful as heat stabilizers.

The fifty-odd examples in the patent obviously teach something, but the evidence shows that they did not teach what was allegedly defined in the claims. Because Cardinal's clear and convincing evidence was not rebutted by Morton, such as by showing that the examples do indeed produce the compounds containing the claimed connectivity, I see no error in the district court's determination.

The statute also requires that the "specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention." 35 U.S.C. § 112. Since the claims at issue here are not sufficiently precise to permit a potential competitor to determine whether or not he is infringing, I would also agree with the district court's determination that the claims are invalid for failure to satisfy the "definiteness" requirements of § 112, 2nd paragraph.

Given such a determination of invalidity, I would not address that part of the district court's judgment regarding noninfringement.

## APPENDIX B

United States Court of Appeals for the Federal Circuit

91-1174, -1175

MORTON INTERNATIONAL, INC.,  
Plaintiff-Appellant,  
v.

CARDINAL CHEMICAL COMPANY, a partnership,  
W.M. QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM,  
and W.M. QUATTLEBAUM, III, individuals,  
CARDINAL MANUFACTURING CO., and  
CARDINAL STABILIZERS, INC.,  
Defendants/Cross-Appellants.

*Gordon R. Coons, John E. Rosenquist and Jeffrey S. Ward, Leydig, Voit & Mayer, of Chicago, Illinois, and Gerald K. White, Morton International, Inc., of Chicago, Illinois, were on the Petition for Rehearing with Suggestion for Rehearing In Banc for the plaintiff-appellant.*

*Charles F. Schill and Elizabeth R.P. Bowen, Adduci, Mastriani, Meeks & Schill, of Washington, D.C., and William O. Sweeny, III and Arthur L. Coleman, Nelson, Mullins, Riley & Scarborough, of Columbia, South Carolina, were on the Petition for Rehearing with Suggestion for Rehearing In Banc for defendants/cross-appellants.*

*I. Fred Koenigsberg, President, American Intellectual Property Law Association, of Arlington, Virginia, and Joseph R. Re and William C. Rooklidge, Knobbe, Martens, Olson & Bear, of Newport Beach, California, and H. Ross Workman, Workman, Nydegger & Jensen, of Salt Lake City, Utah and Nancy J. Linck, Cushman, Carby & Cushman, of Washington, D.C., were on the brief for Amicus Curiae, American Intellectual Property Law Association in support of Suggestions for Rehearing In Banc.*

Appealed from: U.S. District Court for the  
District of South Carolina

Magistrate Catoe, Jr.

United States Court of Appeals for the Federal Circuit

91-1174, -1175

MORTON INTERNATIONAL, INC.,  
Plaintiff-Appellant,

v.

CARDINAL CHEMICAL COMPANY, a partnership,  
W.M. QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM,  
and W.M. QUATTLEBAUM, III, individuals,  
CARDINAL MANUFACTURING CO., and  
CARDINAL STABILIZERS, INC.,  
Defendants/Cross-Appellants

Appeal Decided: March 20, 1992  
Suggestions for Rehearing In Banc Declined: May 7, 1992

June 24, 1992

NIES, *Chief Judge*, dissenting from the orders declining suggestions for rehearing in banc:

Cardinal Chemical Company sought and obtained a declaratory judgment that U.S. Patents 4,062,881 and 4,120,845, owned by Morton International, Inc., were invalid. On appeal, a majority of the panel reasoned that because it affirmed the district court's finding on Morton's infringement claim that Cardinal did not infringe the subject patents, it "need not address the question of validity." Citing *Vieau v. Japax, Inc.*, 823 F.2d 1510, 3 USPQ2d 1094 (Fed. Cir. 1987) as authority, the majority, *sua sponte*, vacated the judgment of invalidity entered on Cardinal's declaratory counterclaim. *Vieau* holds that the issue of validity of a patent, presented in a counterclaim for a

declaratory judgment, becomes "moot," in the sense of no longer presenting a case or controversy, upon this court's finding that: (1) the patent in issue is not infringed and (2) the dispute raised by the counterclaim does not extend beyond the patentee's infringement claim.<sup>1</sup>

The *Vieau* analysis stems from two Supreme Court cases, *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U.S. 241, 59 S. Ct. 860, 83 L. Ed. 1263 (1939), and *Altwater v. Freeman*, 319 U.S. 359, 63 S. Ct. 1115, 87 L. Ed. 1450 (1943), which addressed certain specific problems respecting validity and infringement rulings by district and circuit courts. Until revisited by the request for *in banc* in this case, I agreed with the interpretation of *Altwater* in our precedent, although I found the *Altwater* decision at best confusing. Upon closer scrutiny, I conclude that part of the *Altwater* analysis has been misinterpreted for reasons which will become evident, and that *Altwater* may mandate the opposite result in this case. At the very least, I am convinced that because *Altwater* does not support the holding of *Vieau*, we should overrule *Vieau* and address the problem anew.

I

MISINTERPRETATION OF SUPREME COURT  
PRECEDENT

A review of the Supreme Court precedent must begin with *Electrical Fittings v. Thomas & Betts*, *supra*. In *Elec-*

<sup>1</sup> *Accord Pennwalt v. Durand-Wayland*, 833 F.2d 931, 934; 4 USPQ2d 1737, 1745 (Fed. Cir. 1987) (in banc), *cert. denied*, 485 U.S. 961 (1988) (counterclaim for invalidity declaration dismissed as "moot" and judgment of validity vacated, "there being no indication that Durand-Wayland's cross-appeal on validity extends beyond the litigated claims or the accused devices found to be noninfringing"); *Fonar Corp. v. Johnson & Johnson*, 821 F.2d 627, 634 n.2, 3 USPQ2d 1109, 1114 n.2 (Fed. Cir. 1987) (same); *Advance Transformer v. Levinson*, 837 F.2d 1081, 1084, 5 USPQ2d 1600, 1603 (Fed. Cir. 1988) (judgment of invalidity vacated). It is not clear that the majority made the second *Vieau* finding, but I will assume so.



*trical Fittings*, the district court, on a bill and answer, held the patent in suit "valid"<sup>2</sup> but not infringed. The patentee did not appeal. However, the victorious defendant sought to appeal the judgment to the extent it ruled the patent "valid." The circuit court dismissed the appeal on the theory that a winning party could not take an appeal. The Supreme Court reversed, holding that the winner/defendant could appeal to obtain, not a ruling on the merits, but reformation of the decree. The Court appeared concerned that the defendant might otherwise be precluded by the judgment from attacking the patent in another suit.

The next decision, *Altwater v. Freeman*, *supra*, raised the question of whether a counterclaim for invalidity should be treated the same by an appellate court as a defense of invalidity had been treated in *Electrical Fittings*. The Court answered with a resounding "No." Per *Altwater*, a judgment entered by the district court on a declaratory claim for invalidity must be reviewed on the merits by the appellate court so long as a case or controversy exists at that time to support the assertion of the declaratory claim. In *Altwater* the Court found such controversy existed, despite the accused infringer's exculpation from liability on the patentee's claim, because the dispute between the parties "went beyond the single claim and the particular accused devices involved in [the patentee's] suit." *Id.*, 319 U.S. at 364, 63 S. Ct. at 1118, 87 L. Ed. at 1454.

*Vieau* and other decisions of our court have understood *Altwater* to mean that all declaratory claims for invalidity must be evaluated for the presence of a case or controversy under a standard of whether the counterclaim extended beyond the dispute defined by the patentee's claim of infringement. Thus, we have concluded that, if a dec-

<sup>2</sup> Under our precedent, the ruling should be "not invalid." *Environmental Designs, Ltd. v. Union Oil Co. of Cal.*, 713 F.2d 693, 699 n.9, 218 USPQ 865, 871 n.9 (Fed. Cir. 1983), *cert. denied*, 464 U.S. 1043 (1984).

laratory claim simply involves the same devices and patent claims involved in the patentee's complaint, upon a finding of no infringement, a counterclaim seeking a declaration of invalidity becomes "moot", in the Constitutional sense of no case or controversy. *See supra*, at n.1.

This understanding of the import of *Altwater* is, in my view, wrong. A significant fact which distinguishes *Altwater*, and which makes its case or controversy analysis no longer germane, is that the *Altwater* claimant for a declaration of invalidity was a *licensee*. By reason of licensee estoppel, the licensee could not attack the validity of the patent except under limited circumstances. *See, e.g., Katzinger Co. v. Chicago Mfg. Co.*, 329 U.S. 394, 67 S. Ct. 416, 91 L. Ed. 374 (1946) (licensee estoppel not applied in light of price-fixing provision of license). *Altwater* is interlaced with principles of licensee estoppel. Twenty-five years had to pass before *Lear v. Atkins*, 395 U.S. 653, 89 S. Ct. 1902, 23 L. Ed.2d 610 (1969), overruled the doctrine of license estoppel. Thus, the discussion of case or controversy must be read in the context of that age—a time when a licensee had to base its declaratory judgment claim on a controversy beyond the patentee's assertion of a right to royalties under the license.

To interpret *Altwater* broadly as requiring an accused infringer who is not a licensee to prove that its counterclaim for invalidity goes beyond the scope of the patentee's complaint in order to establish a *case or controversy* has never been warranted. Such extension of *Altwater* leads to the absurd result that an accused infringer can obtain a declaratory judgment for claims of the patent that were not asserted in the patentee's suit but not for those that were, whereas the patentee's suit in itself shows that the controversy rages as to the asserted patent claims.<sup>3</sup> In any event, with respect to even a licensee's need to show a

<sup>3</sup> It is arguable that a counterclaim for invalidity of asserted claims is even mandatory under Fed. R. Civ. P. 13(a).

dispute outside the scope of that asserted by the patentee, *Altwater* must be assigned to the graveyard with respect to its case or controversy analysis by reason of *Lear v. Atkins* and possibly *Blonder-Tongue Labs, Inc. v. University of Ill. Found.*, 402 U.S. 313, 28 L. Ed 788, 91 S. Ct. 1434 (1970).<sup>4</sup>

All of the precedent of this court stems from *Altwater* in holding that a counterclaim for a declaration of invalidity is mooted, in the sense of no longer presenting a case or controversy, upon a finding of noninfringement on the patentee's specific charge of infringement, unless the declaratory claimant asserts matters beyond the patentee's complaint. Inasmuch as *Altwater* no longer has any viability respecting the need for a counterclaimant's *separate* and *distinct* case or controversy, the precedent of this court has been based on a false premise. The remaining and only controlling principle of *Altwater* is that an appellate court must decide a counterclaim for a declaration of invalidity where a case or controversy is present and the district court has entered judgment on the counterclaim. I believe that this court should address for itself this "case or controversy" requirement in the context of declaratory counterclaims, unrestricted by the outdated pronouncements of *Altwater*.

## II

### "MOOTNESS"

#### Confusion of Principles

*Altwater* aside, any suit including a counterclaim for a declaration of patent invalidity requires the presence of a

<sup>4</sup> Before *Blonder-Tongue*, a decree of invalidity was preclusive only between the parties. Even ignoring the licensee estoppel basis of *Altwater*, its "additional claims or devices" requirement may have been influenced by this restricted, and now antiquated, scope of collateral estoppel.

case or controversy at all stages of litigation. If a claim becomes "moot" in this sense at the appellate level, it must be dismissed for lack of jurisdiction. *Vieau* relied on this principle but, in my view, confused concepts of mootness. The *Vieau* opinion concluded there was no case or controversy respecting validity and then said that the court exercised its "discretion" to dismiss the appeal of that issue. 823 F.2d 1520-21, 3 USPQ2d at 1102-03. The majority opinion in this case also indicates, by its statement that "we need not address the question of validity," *Morton Int'l, Inc. v. Cardinal Chem. Co.*, \_\_\_ F.2d \_\_\_, 22 USPQ2d 1231, 1235 (Fed. Cir. 1992), that it made a *discretionary* decision to dismiss Morton's appeal of the judgment of invalidity. Indeed, the precedent of this court now takes a "one-size-fits-all" approach to treatment of the issue of validity. The court may always dismiss and vacate the judgment below as a matter of discretion once it concludes that the patent claims in issue are not infringed. This result is imposed on the parties regardless of whether the judgment below held the patent valid or invalid, regardless of whether a patentee attempted to have the declaratory counterclaim dismissed, regardless of a dispute over validity between the parties, and regardless of which party appeals the judgment and what that party seeks on appeal. I believe each of these situations requires a separate analysis.<sup>5</sup>

#### B.

#### The Meanings of "Mootness"

As an initial matter, it is necessary to clarify what is meant when a court declares an issue is "moot." Indeed,

<sup>5</sup> *Vieau* is somewhat unusual in that the issue of validity was raised on "cross-appeal" by the *winner* of a declaratory judgment of a patent's invalidity. However, the cross-appeal was taken because of the district court's failure to hold the patent invalid under 35 U.S.C. § 103, as well as under 35 U.S.C. § 112.



the failure to recognize that "moot" has various meanings is a major defect in our precedent. "Mootness" can rise to the level of a bar to the court's exercise of jurisdiction or descend to the level of prudential convenience and economic use of judicial resources.

"Mootness" is jurisdictional when the dispute between the parties, or at least an issue in the case, no longer exists. That is, the issue no longer presents an actual case or controversy. If an issue is moot in this sense, a court has no discretion but *must* dismiss for lack of jurisdiction. *Powell v. McCormack*, 395 U.S. 486, 496 n.7, 89 S. Ct. 1944, 1950 n.7, 23 L. Ed.2d 491, 502 n.7 (1969) (court lacks jurisdiction to consider the merits of a moot case); *Brownlow v. Schwartz*, 261 U.S. 216, 43 S. Ct. 263, 67 L. Ed. 620, (1923) (where mandamus action for issue of building permit is mooted by the permit's issue pending appeal, appellate court must remand with directions to dismiss); *Smith Intern., Inc. v. Hughes Tool Co.*, 839 F.2d 663, 5 USPQ2d 1686 (Fed. Cir. 1988) (settlement prior to appellate court decision moots case); *Fundicao Tupy S.A. v. United States*, 841 F.2d 1101 (Fed. Cir. 1988) (appeal of denial of preliminary injunction mooted by district court's intervening judgment).

An issue is also said to be "mooted" when a court, having decided one dispositive issue, chooses not to address another equally dispositive issue. In this sense, mootness means only that a decision on another issue would have no practical significance. This type of mootness results from prudential, not jurisdictional, considerations. See *United States v. Leon*, 468 U.S. 897, 924-25, 104 S. Ct. 3405, 3421-22, 82 L. Ed.2d 677, 699-700 (1984) (Fourth Amendment issue may be decided as a matter of discretion before addressing "good faith exception" for warrantless searches.); *Fischer & Porter v. United States Int'l Trade Comm'n*, 831 F.2d 1574, 4 USPQ2d 1700 (1987) (patent issues mooted by affirmance of no injury in proceeding under 19 U.S.C. § 1337). See also *Airline Pilots Ass'n*,

*Intern. v. UAL Corp.*, 897 F.2d 1394, 1397 (7th Cir. 1990) (distinguishing between a court's resolution of an alternative, unnecessary issue and Article III mootness); 13A Wright, Miller and Cooper, *Federal Procedure: Jurisdiction* § 3533 (1984).

In a patent suit, an accused infringer may raise as defenses noninfringement and various grounds for holding the patent claims invalid, as well as various grounds for holding that patent unenforceable. A decision on any one of the grounds in favor of the accused infringer defeats the patentee's claim for damages or injunctive relief. Although not jurisdictionally moot, other equally dispositive issues are deemed "moot" in the sense that a ruling is not necessary to decision. Thus, a decision of noninfringement by this court "moots," i.e., may make it unnecessary to decide, the various other defenses. *Unette Corp. v. Unit Pack Co., Inc.*, 785 F.2d 1026, 1029, 228 USPQ 933, 935 (Fed. Cir. 1986). In this sense, a decision of invalidity "moots" the defense of noninfringement. *United Carbon Co. v. Binney Co.*, 317 U.S. 228, 237, 63 S. Ct. 165, 170, 87 L. Ed. 232, 238 (1942) ("We are of the opinion that the claims in litigation are bad for indefiniteness, and have no occasion to consider questions of novelty, invention, and infringement.") Which defense the court chooses to address is a matter of discretion, although the Supreme Court has indicated that the more important public policy issue in patent cases is validity. *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 330, 65 S. Ct. 1143, 1145, 89 L. Ed. 1644, 1646 (1945).<sup>6</sup> On the other hand, an appellate court, like a district court, may choose to decide all issues. As Judge Lourie explains, this court is not a court of last resort. Like the district court, it may resolve the issue of validity even as a *defense* and even after finding no infringement.

<sup>6</sup> After *Blonder-Tongue*, the "public policy" import of validity rulings (especially those finding patents invalid) has grown substantially.



Indeed, the Supreme Court in *Sinclair* would not have directed lower courts to resolve the issue of validity after finding no infringement if the latter finding *jurisdictionally* mooted the issue of validity.<sup>7</sup>

Thus, the distinction between jurisdictional mootness and prudential mootness is important respecting what action can or must be taken by the lower courts. Jurisdictional mootness *mandates* that the court make no resolution on the issue. There is no discretion either to decide or not to decide. Only prudential mootness involves the exercise of discretion. Compare *United States v. Leon*, *supra*, with *Brownlow v. Schwartz*, *supra*.

### III

#### DECLARATORY CLAIMS

##### A.

##### Jurisdictional Mootness

A finding of noninfringement does not moot a declaratory claim for invalidity *jurisdictionally* regardless of the scope of the patentee's infringement suit.

If Cardinal's action for a declaration of invalidity had been the sole proceeding in the case, Morton could not have inserted as an *affirmative defense* that Cardinal did not infringe the patent claims. A declaratory action for a judgment of invalidity is based on a fear of suit under the

<sup>7</sup> The statement made in *Altwater* concerning its decision in *Electrical Fittings* that, "To hold a patent valid if it is not infringed is to decide a hypothetical case" is not in conflict. It is the reason for the Court's approval of vacatur at the behest of the defendant. The defendant was not entitled to have that issue resolved *on the merits* when presented only as an affirmative defense once exculpated from liability on the patentee's charge, but should not be precluded by the judgment from litigating the matter in a subsequent suit. Similarly, in my view, a patentee may be able to obtain vacatur of a holding of invalidity where there is only a patentee's claim of infringement that is defeated by a finding of noninfringement that a patentee chooses not to appeal.

patent. Such fear is not dependent on being held *liable* for infringement. "A declaratory plaintiff has sufficient interest [where] . . . there is a reasonable threat that the patentee or licensor will bring an infringement suit against the alleged infringer. Smith, *Foreclosure of Licensee Validity Challenge with Procedural Barriers: Federal Jurisdiction*, 61 JPOS 690, 697 (1979)." *C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874, 879, 219 USPQ2d 197, 202 (Fed. Cir. 1983); cf. *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172, 176, 86 S. Ct. 347, 350, 15 L. Ed.2d 247, 251 (1965). Once the patentee creates a legitimate fear in an adversary that the patent will be asserted against it, nothing short of the patentee's unconditional guarantee not to do so under any circumstances ordinarily will remove that apprehension and thereby jurisdictionally moot the claim for declaratory relief. In *Bard*, even the affidavit of the patentee that it had no intention of suing the declaratory claimant fell short of mooting the asserted declaratory claim. *Bard*, 716 F.2d at 881, 219 USPQ at 204. Here, Morton has made no similar representation to Cardinal. Indeed, its suit against Cardinal confirmed the presence of the necessary controversy on Cardinal's counterclaim respecting at least the asserted claims. Morton's appeal of the invalidity judgment confirms again the threat of the patent.<sup>8</sup> And Cardinal has not *waived* its declaratory claim against the asserted claims, as some vindicated defendants have on appeal. I can see no possible basis for holding Cardinal's declaratory claim *jurisdictionally* moot.

<sup>8</sup> As stated in *Jervis & Webb Co. v. Southern Sys., Inc.*, 742 F.2d 1388, 1399, 222 USPQ 943, 949 (Fed. Cir. 1984), there must be a case or controversy respecting each claim sought to be declared invalid. This requirement is not an issue in this case. There is a case or controversy as to the entirety of the patent because of the nature of the asserted grounds for invalidity.

## B.

**Prudential Mootness**

In a few circumstances, a declaratory invalidity claim may be prudentially mooted by the appellate court judgment on another issue. However, a finding of noninfringement is not such a circumstance. As indicated, noninfringement is not a permissible affirmative defense by the patentee and, thus, cannot be an alternative ground *for judgment* on a declaratory claim for invalidity as it is for a judgment on the patentee's claim. *Altwater, supra*.

An example of prudential mootness of the declaratory claim on appeal appears in *A.B. Dick Co. v. Burroughs Corp.*, 798 F.2d 1392, 1400, 230 USPQ2d 849, 855-56 (Fed. Cir. 1986). There, this court upheld the accused infringer's defense of inequitable conduct which rendered the patent entirely unenforceable. Thus, a judgment of invalidity would have added nothing to the relief already afforded the counterclaimant on the patentee's claim.

## C.

**Redundancy**

In my view the issues which should have been addressed *in banc*, after eliminating the concept of a declaratory judgment being jurisdictionally "mooted" as held in *Vieau*, concern the discretionary power of a court to refuse to accept an accused infringer's declaratory judgment suit or counterclaim which is merely *redundant* to a claim being litigated by its adversary. As stated by Justice Frankfurter in his dissent in *Altwater*,

We are all agreed that while a district court may have jurisdiction of a suit or claim under the Federal Declaratory Judgments Act, 28 U.S.C. § 400, it is under no compulsion to exercise such jurisdiction. If another proceeding is pending in

which the claim in controversy may be satisfactorily adjudicated, a declaratory judgment is not a mandatory remedy.

316 U.S. at 366, 63 S. Ct. at 1119, 87 L. Ed. at 1455. Clearly a district court need not accept a redundant declaratory counterclaim (or even a separate suit), and may reserve making a decision on whether declaratory relief is appropriate until after decision on the plaintiff's claim. Borchard, *Declaratory Judgments* 814 (1941). The standard is whether the declaratory relief would be appropriate as cumulative or alternative relief. The provisions in Fed. R. Civ. P. 57 codify the view that:

the declaratory judgment should not be considered an extraordinary remedy or an unusual or a strange form of action; it should be considered a simple, ordinary auxiliary remedy-no more strange than injunction, specific performance, or damages-to be asked for and given whenever it will remove uncertainty in the rights of a litigant or settle a controversy existing or incipient.

Clark, *Code Pleading*, § 53 at 336 (1947). See also 10A Wright, Miller and Kane, *Federal Practice and Procedure* § 2758 (1983).

In this case the district court made a judgment, on the patentee's claim, of no liability by reason of noninfringement. On the counterclaim the court made judgment of invalidity. The judgments are not redundant and the factual inquiries to resolve each claim were distinctly different. *Cf. Partmar Corp. v. Paramount Pictures Theatres Corp.*, 347 U.S. 89, 103, 74 S. Ct. 414, 422, 98 L. Ed. 532, 543 (1954). From the distinction drawn in the judgments, it appears that the district court concluded that the judgment on the counterclaim was a remedy necessary to settle the rights of the parties more completely. It could also be concluded that the public policy stated in *Blonder-Tongue* made a judgment on the validity counterclaim the



more desirable judgment. The judgment of invalidity was in no sense merely "advisory".

Different views are espoused on whether the scope of appellate review of a district court's decision to accept or dismiss a declaratory claim is highly restricted (abuse of discretion) or plenary (*de novo*). See Friendly, *Indiscretion About Discretion*, 31 Emory L.J. 747, 779 (1982) (noting decisions both ways and advocating *de novo* review of district court decisions).

We would have a different case if Morton had sought dismissal of the declaratory judgment claim as merely redundant of the claim of its complaint either at the district court level or in this court. This issue, however, has not been raised. *Provident Bank v. Patterson*, 390 U.S. 102, 126, 88 S. Ct. 733, 746-47, 19 L. Ed.2d 936, 954 (1968). Thus, no findings have been made on this issue such as would be necessary for a dismissal on this ground. Cf. *Brillhart v. Excess Ins. Co. of America*, 316 U.S. 491, 497, 62 S. Ct. 1173, 1177, 86 L. Ed. 1620, 1626 (1942).

In this appeal, the questions are whether Morton is entitled to review of the declaratory judgment of invalidity on the merits and whether Cardinal can be deprived of its judgment without such review. Under *Altwater*, the Supreme Court appears to have mandated that an appellate court must review a declaratory judgment which comes to us in the posture of this case. But this is not entirely clear. The questions which I have raised here have not been addressed in this case or in any authoritative precedent I have found, and in my view need to be explored.

#### IV

#### CONCLUSION

Morton objects to this court's action of returning its patents into a state of limbo, having twice had them declared invalid by district courts, and twice having those

judgments vacated by this court without any ruling on the merits. Other litigation on the patents is in the wings. Cardinal urges it is entitled to the judgment it obtained on a valid counterclaim at great expense and effort.<sup>9</sup> I conclude that the precedent of this court supporting its action of vacating the invalidity judgment in this case is in error, and I therefore dissent from the denial of *in banc* rehearing in this appeal. I have not written to offer a definite solution to this problem.<sup>10</sup> I write because I cannot find justification for our *Vieau* decision either legally or as a "policy". Further, this court has repeatedly denied *in banc* consideration to alter our "mootness" precedent. The question of how a judgment of invalidity on a declaratory claim should be treated after a finding of no infringement is too important in my view to let pass again. The parties can now look only to the Supreme Court for correction.

<sup>9</sup> Nor should we be unmindful of the expense and effort of the district court. Judge Avern Cohn of the Eastern District of Michigan (the *Vieau* trial judge) stated, in a panel discussion at our most recent Judicial Conference:

I took six months to write a JNOV, found the patent invalid and not infringed and was very proud of my work product. And when I read that court of appeals opinion and found that my finding of invalidity had been vacated, there was no case or controversy, I was in a state of shock for ten minutes.

Cohn, Remarks at the Patent Breakout Session of the Tenth Annual Judicial Conference of the United States Court of Appeals for the Federal Circuit 65 (April 30, 1992).

<sup>10</sup> Others have done so. See, e.g., Rooklidge and Re, *Vacating Patent Invalidity Judgments Upon an Appellate Determination of Noninfringement*, 72 J. Pat. & Trademark Off. Soc'y 780 (1990).



**APPENDIX C**  
**IN THE DISTRICT COURT OF THE UNITED STATES**  
**FOR THE DISTRICT OF SOUTH CAROLINA**  
**GREENVILLE DIVISION**

Civil Action No. 6:83-889-OK

Morton International, Inc.,

Plaintiff,

vs.

Cardinal Chemical Company, a Partnership, W.J.  
 Quattlebaum, Jr.; Dorothy Quattlebaum; and W. M.  
 Quattlebaum, III, individuals; Cardinal Manufacturing;  
 and Cardinal Stabilizers,

Defendants.

**FILED**  
**JAN 10 1991**  
**ANN A. BIRCH, CLERK**  
**U.S. DISTRICT COURT**

**ORDER\***

The plaintiff, Morton International, Inc., filed a complaint in the United States District Court for the District of South Carolina, on April 12, 1983, alleging infringement of its U. S. Patent Nos. 4,062,881 and 4,120,845 (hereinafter the '881 and '845 patents) by Cardinal Chemical Company, et al. The plaintiff subsequently filed suit on

\* This is the public version of the order. The use of closed brackets indicates redacted confidential information pursuant to a protective order of the court.

those same patents in the U. S. District Court for the Eastern District of Louisiana, *Morton Thiokol, Inc. v. Witco Chemical and Argus Chemical Corp.*, No. 84-5685, E.D.La., filed November 28, 1984, and in the U.S. District Court for the District of Delaware, *Morton International, Inc. v. Atochem (M&T) Chemicals, Inc.*, No. 87-60-CMW, D.Del., filed February 9, 1987).

On July 28, 1988, the U. S. District Court for the Eastern District of Louisiana entered a judgment finding the '881 and '845 patents invalid, void, unenforceable and not infringed, and dismissed the plaintiff's claim for patent infringement with prejudice and at its cost. On April 3, 1989, the Court of Appeals for the Federal Circuit affirmed the judgment that the '881 and '845 patents were not infringed.<sup>1</sup>

On May 2, 1990, the defendants in this case moved for summary judgment on the following grounds: (1) that the plaintiff should be collaterally estopped from suing the defendants on the '881 and '845 patents which were held invalid and not infringed after a full and fair opportunity to litigate the patents in the District Court in the Eastern District of Louisiana;<sup>2</sup> and (2) that pursuant to Rule 56 of the Federal Rules of Civil Procedure and based on the evidence before the court, the patents did not comply with the requirements of 35 USC §112 and were therefore invalid. The defendants' motion for summary judgment was denied on June 20, 1990, after oral argument.

This case was referred to this court for trial by order of the Honorable Matthew J. Perry, U. S. District Judge,

<sup>1</sup> On April 17, 1989, the plaintiff petitioned the Court of Appeals for the Federal Circuit for a rehearing, which was denied on May 3, 1989.

<sup>2</sup> The defendants maintained that, although the Court of Appeals for the Federal Circuit affirmed the lower court decision of noninfringement and vacated validity, the Federal Circuit decision as written demonstrated the invalidity of the patents.

filed May 4, 1988. A nonjury trial was held from September 10 through September 14, 1990.

To prepare the court for the trial of this very difficult case, the parties submitted all of the depositions, a copy of the *Argus* trial transcript, and an educational package several months in advance. This order is being addressed promptly because the court does not want time to erode his memory of the testimony and terminology.

After reviewing the entire record from this case, as well as the evidence stipulated into the record from *Morton Thiokol, Inc. v. Argus Chemical Corp.*, Civil Action No. 84-5685 (E.D.La. 1988) ("Argus"), this court concludes that the plaintiff has failed to prove by a preponderance of the evidence any infringement by the defendant, and further finds by clear and convincing evidence that the patents are invalid.

To the extent that any findings of fact are deemed to be conclusions of law, they should be so considered, and to the extent that any conclusions of law are deemed to be findings of fact, they too should be so considered.

# I. BACKGROUND

The plaintiff, Morton International, Inc. is an Indiana corporation having its principal place of business at 110 North Wacker Drive, Chicago, Illinois. Industrial Chemicals and Additives of the Specialty Chemical Group of Morton manufactures and sells heat stabilizers, including stabilizers such as ADVASTAB TM-692 and ADVASTAB TM-592, which are made under the Kugele '881 and '845 patents. Industrial Chemicals and Additives itself has evolved first from Carlisle Chemical Company to Cincinnati Milacron Chemicals, Inc., then to Carstab Corporation, then to the Carstab Products Group of the Ventron Division of Morton Thiokol, Inc., and finally to Industrial Chemicals and Additives of Morton International's Specialty Chemi-

cals Group. For simplicity, reference herein to the plaintiff and its predecessors will be as "Morton."

There are six defendants in this case. They are three companies (Cardinal Chemical Company, Cardinal Manufacturing, Inc. and Cardinal Stabilizers, Inc.) and three individuals (W. M. Quattlebaum, Jr., Dorothy Quattlebaum, and W. M. Quattlebaum, III). Cardinal Chemical is a partnership, and both Cardinal Manufacturing, Inc. and Cardinal Stabilizers, Inc. are South Carolina corporations. Some seven years ago, when this suit was filed, only Cardinal Chemical Company and W. W. Quattlebaum, Jr. were named as defendants. For simplicity, reference herein to the defendants will be as "Cardinal" or "the Cardinal defendants."

United States Letters Patent No. 4,062,881 issued on December 13, 1977, on application Serial No. 492,969 filed July 26, 1974. The '881 patent was issued to Cincinnati Milacron Chemicals, Inc., as assignee of Thomas G. Kugele, the inventor of the claimed subject matter. It is presently assigned to Morton.

The '881 patent claims are directed to organotin mercaptoalcohol carboxylic acid ester sulfides which are useful as heat stabilizers. A shorthand notation for these compounds is alkyltin mercaptoalcohol ester sulfides. These stabilizers are conveniently referred to by Dr. Kugele and others at Morton as "reverse ester sulfides."

United States Letters Patent No. 4,120,845 issued on October 17, 1978, on application Serial No. 826,917 filed August 22, 1977, that application being a divisional of the '969 application. The '845 patent was issued to Cincinnati Milacron Chemicals, Inc., as assignee of Thomas G. Kugele, the inventor of the claimed subject matter. It is presently assigned to Morton.

The '845 patent claims a composition including a polymer, such as a polyvinyl chloride polymer, and at least



one of the "reverse ester sulfides" claimed in the '881 patent.

Polyvinyl chloride (PVC) is a polymer used in the manufacture of various products which requires the use of an additive to protect the PVC from decomposition. The additives are known as heat stabilizers. These heat stabilizers also prevent other degradations such as discoloration and loss of strength. Organotin compounds are one type of heat stabilizer for PVC. Organotin compounds are also used in the manufacture of other products such as vinyl siding.

The early development of these organotin stabilizers began in the early 1950s when it was discovered that the introduction of organotin mercaptide stabilizer products wherein tin was bonded directly to a sulfur atom resulted in a stabilizer with superior performance in certain applications over stabilizers then existing. This discovery resulted in a great deal of work in the stabilizer industry directed toward incorporating derivatives of available mercaptan starting materials to tin. Organotin stabilizers containing mercaptoethanol carboxylic acid esters were particularly effective but had a strong unpleasant odor. Organotin stabilizers including thioglycolic acid derivatives, instead of mercaptoethanol derivatives, were developed which were effective and did not have as foul an odor as the stabilizers using mercaptoethanol derivatives. The industry was also working toward the development of organotin stabilizers containing inorganic sulfur substituents. The industry then developed blends using different organotin stabilizers as admixtures.

## II. SCOPE OF THE KUGELE PATENTS

Only Claim 1 of the Kugele '881 and '845 patents is at issue in this litigation. The Kugele '881 patent is directed to compounds which are represented as being useful as

stabilizers for polyvinyl chloride and other halogen containing polymers. Claim 1 of the '881 patent states:

A monoorganotin or diorganotin mercaptoalkyl ester of a carboxylic acid or mercapto hydroxyalkyl ester of a carboxylic acid mono or poly sulfide useful as a stabilizer for improving the resistance to deterioration of vinyl chloride polymers when heated at 350 [degrees] F, containing at least one tin atom having one to two hydrocarbonyl groups having from 1 to 20 carbon atoms and selected from the group consisting of alkyl, aryl, cycloalkyl, aralkyl and alkenyl and linked to the tin through carbon, at least one mercaptoalkyl ester of a carboxylic acid group linked to tin through the sulfur of mercaptoalkyl group and at least one mono or poly sulfide sulfur group bonded exclusively to tin, the organotin compound having an amount of tin within the range from 10 to 42% by weight and an amount of sulfur within the range from 8 to 42% by weight.

This claim covers organotin compounds which are useful as stabilizers that have particular chemical structural elements. The two elements involved are: (1) a partial arrangement of atoms, referred to as "molecular connectivity,"<sup>3</sup> wherein a tin atom is bonded to a sulfur atom, the sulfur atom then bonded to a second tin atom, and the second tin atom bonded to a reverse ester mercaptide:  $\text{Sn-S-Sn-SR}$ ; and (2) "the organotin compound [has] an amount of tin within the range of 10-42% by weight and an amount of sulfur within the range from 8-42% by weight." *Morton Thiokol, Inc. v. Argus Chemical Corp.*, 11 U.S.P.Q.2d 1152, 1153 (Fed. Cir. 1989). The District Court for the Eastern District of Louisiana construed the

<sup>3</sup> Where the term "connectivity" is used, this court means the "partial" connectivity as specified in the claims of the patents in issue.



claims in this manner and that construction was adopted by the Federal Circuit. *Id.*

### III. FINDINGS OF FACT

Based on the entire record, including the pleadings, the exhibits, and the testimony at trial, this court makes the following findings of fact:

#### As to Infringement

1. Cardinal has made and sold commercially certain organotin heat stabilizer products, including products known as CC7710, CC7711, CC7711A, CC7712, CC7712M in the United States. These comprise the products accused of infringing the '881 and '845 patents.

2. Morton has asserted that the manufacture and sale of Cardinal's accused products constitutes direct infringement of Claim 1 of the '881 patent and inducement to infringe Claim 1 of the '845 patent.

3. Claim 1 of the '881 patent reads as follows:

A monoorganotin or diorganotin mercaptoalkyl ester of a carboxylic acid or mercapto hydroxy-alkyl ester of a carboxylic acid mono or poly sulfide useful as a stabilizer for improving the resistance to deterioration of vinyl chloride polymers when heated at 350 [degrees] F, containing at least one tin atom having one or two hydrocarbyl groups having from 1 to 20 carbon atoms and selected from the group consisting of alkyl, aryl, cycloalkyl, aralkyl and alkenyl and linked to the tin through the sulfur of the mercaptoalkyl group and at least one mono or poly sulfide sulfur group bonded exclusively to tin, the organotin compound having an amount of tin within the range from 10 to 42% by weight and an amount of sulfur within the range from 8 to 42% by weight.

4. [ ]

5. Claim 1 of the '881 patent requires a tin-sulfur tin connectivity which is also connected to a mercapto ethyl ester with limitations on the percentage of tin and sulfur for those structures.

6. The plaintiff asserts that Claim 1 of the '881 patent is a representative claim and agrees that infringement will stand or fall on the basis of this claim.

7. The plaintiff asserts that Claim 1 of the '845 patent is a representative claim and agrees that infringement will stand or fall on the basis of that claim.

8. Morton has failed to establish, by a preponderance of the evidence, that any of the accused Cardinal products (CC7710, CC7711, CC7711A, CC7712, CC7712M) include a compound within the scope of Claim 1 of the '881 patent, nor has Morton established by a preponderance of the evidence that the manufacture or sale of these accused products or any other products constitutes an inducement to infringe Claim 1 of the '845 patent.

9. After Cardinal was accused of infringement, Cardinal hired Dr. Paul R. Story to analyze both Cardinal and Carstab products. Dr. Story first tried to determine the structure of the compound involved by separating the pure compounds from what were obviously mixtures. Cardinal purchased a state of the art HPLC instrument to separate the mixtures so that a structural determination could be made.

10. The Cardinal products at issue are made by a process which differs substantially from the procedures and examples of the '881 patent. [ ]

11. Cardinal products are made with different starting materials and a different process.

12. [ ]

13. There was no evidence introduced during the *Cardinal* or *Argus* trials which could identify the specific compound that fits the criteria of Claim 1 of the '881 patent.

14. No unambiguous data was introduced that would satisfy even a reasonable chemical standard of proof that the compounds exist in either Morton or Cardinal products.

15. Cardinal conducted extensive HPLC testing in an effort to separate the mixtures for both Cardinal products and for Morton products. In addition, Cardinal submitted samples for NMR (nuclear magnetic resonance) testing using a 300 mhz NMR spectra in an effort to characterize the nature of the mixtures. In Cardinal's efforts, it ran both tin and proton NMR. From all of the experiments run by Cardinal, there was no unambiguous data gathered that pointed to the presence of the compounds claimed in the '881 patent.

16. As a result of two years of work, Dr. Story was able to characterize parts of the Cardinal products. [ ] Dr. Story's testimony is entitled to great weight.

17. Dr. Story used primarily NMR because it told him a lot more about the structure than tin 119 NMR. In addition, there is a much greater library of information to build upon regarding chemical shifts and coupling constants for proton NMR.

18. Cardinal hired NMR expert Paul Ellis to interpret Morton's alleged proof of infringement and met with Morton to discuss the matter. After the meeting, Cardinal determined that neither chemical logic nor the NMR tests demonstrated any infringement by Cardinal.

19. Cardinal analyzed preparations made according to the '881 patent and was unable to locate any structures which met the descriptions in the '881 patent.

20. Cardinal ran NMR spectra on its own and Kugele mixtures. From the NMR spectra of Cardinal's products,

Dr. Story could not draw any conclusions because of the complexity of the spectra.

21. In his testing, Dr. Story also analyzed spectra of Cardinal's actual materials that were made for their commercial products. Dr. Story found that the NMR spectra of Cardinal's commercial products and the Morton mixture were different. The methyltin tris mercaptoethyl oleate which shows up boldly in the Morton mixture is absent from the spectra of the Cardinal products. Dr. Story was certain that there is no detectable tris (the butyltin analogue) in Cardinal's products because of the absence of any peak in the NMR spectra.

22. The flagship for the Morton product is the appearance of the methyltin tris mercaptoethyl oleate ("tris"). After extensive tests, Cardinal could not identify tris in Cardinal's commercial products. Accordingly, the absence of butyltin tris is an indication that there are no '881 products present.

23. From the HPLC tests that Dr. Story performed, [ ] but he could not isolate the rest of the mixture because it was too complex.

24. Dr. Story also ran HPLC tests on model systems, but the only separable components from Morton's product were the tris and the BTSA.

25. Cardinal demonstrated by clear and convincing evidence during trial that NMR does not show the alleged connectivity in any of the Cardinal or Morton compounds analyzed.

26. [ ]

27. [ ]

28. [ ]

29. [ ]

30. [ ]

31. [ ]

32. [ ] During the *Cardinal* trial, Dr. Story demonstrated that he could theorize compounds outside of the weight ranges for tin and sulfur. Through his testimony, Dr. Story established that it is possible to draw structures with the hypothetical connectivity of the Kugele patent which have tin outside the range of the '881 patent. However, like the proof of the Kugele compounds, Dr. Story was unable to characterize those materials because he could not isolate any for testing; thus, he concluded their existence is mere speculation.

33. [ ]

34. To be covered by the Kugele claims, the ranges of tin and sulfur must be met. Without identifying all of the atoms in a compound asserted to be covered by Claim 1, it is impossible to prove that the claimed weight ranges for tin and sulfur are met with respect to a particular compound.

35. [ ]

36. Cardinal cannot be held to infringe patents which require the existence of specific limitations which are impossible to detect.

37. [ ]

38. [ ]

39. [ ]

40. [ ]

41. [ ]

42. [ ]

43. [ ]

44. [ ]

45. [ ]

46. Even with state of the art instrumentation, it is impossible to isolate a single compound to determine the connectivity of atoms as claimed in the Kugele patents. [ ]

47. [ ]

48. Compounds can be predicted with the connectivity described by the '881 patent that have tin and sulfur ranges outside of those claimed by the patent. The evidence that compounds exist within the ranges is neutral, and thus inconclusive. The compounds which result from Cardinal's process chemistry are just as likely to consist of such compounds as those assumed by Morton, but it is all speculation.

49. There is no analytical evidence that the weight ranges or the connectivity described in the '881 patent in fact exist.

50. There is no way of testing, by NMR or any other analysis, to prove whether compounds in Cardinal's products are the compounds which are claimed by Morton or are compounds of the nature which Cardinal determined analytically. For this same reason, the Federal Circuit found that to calculate the percent tin and percent sulfur ranges contained in the compounds was merely an intellectual exercise resulting in calculations which would fall both within and outside of the claimed ranges.

51. [ ]

52. Morton and Cardinal can identify certain compounds from the Cardinal products which are known prior art organotin stabilizers. The remaining compounds of the mixtures are, however, not isolable and cannot be identified by any of the testing sufficient to show any compound falling within the claims of the '881 patent. Thus, there is no reliable evidence which proves that the claimed compounds exist, nor is there reliable evidence to satisfy a preponderance standard that any of the claimed compounds are contained in Cardinal's accused products.



53. [ ]

54. The partial connectivity described in claim 1 of the '881 patent contains what has been called a tin-sulfur-tin bridge, and this fragment has a unique fingerprint in tin-119 NMR spectra of the stabilizers at issue here.

55. That fingerprint appears in a tin-119 spectrum as a peak flanked by two smaller peaks, which are known as satellites. The height of these satellites is approximately 3-1/2% of the height of the main tin peak they are associated with.

56. Due to the small size of satellites, it is hard to observe tin-tin coupling except in simple spectra.

57. [ ]

58. [ ]

59. [ ]

60. [ ]

61. [ ]

62. [ ]

63. [ ]

64. [ ]

65. [ ]

66. [ ]

67. [ ]

68. [ ]

69. [ ]

70. [ ]

71. The doctrine of equivalents requires proof that the accused products do substantially the same thing, in substantially the same way, to achieve substantially the same result. Morton failed to demonstrate at trial the characteristics of its claimed compounds in order to meet the "substantially the same" requirements of the doctrine of equivalents. Such a showing is impossible [ ]

72. [ ]

73. [ ]

74. As was demonstrated by Timothy C. Ross, the intermediates in Cardinal's products, which are known compounds, showed equal or superior stabilization performance to both TM-694 and the product of Example 30. Mr. Ross compared the stabilizing effect of TM-694 to the stabilizing effects of CC7712 and got better results from CC7712 [ ]

75. These tests demonstrate that Cardinal intermediates have been proven to have stabilizing effects. [ ]

76. The accused Cardinal products do not contain any compound covered by Claim 1 of the '881 patent. Therefore, one using the accused Cardinal products as stabilizers for PVC does not infringe the '845 patent.

77. As there is no infringement of the '881 patent, there can be no infringement of the '845 patent.

#### As to Validity

78. The Kugele '881 and '845 patents are invalid under 35 U.S.C. §112.

79. There is no evidence that the '881 patent teaches one how to make the compounds as claimed in the '881 patent.

80. The '881 and '845 patent specifications do not teach one skilled in the art how to make and use the compounds claimed therein without undue experimentation.

81. The specifications of the '881 and '845 patents are virtually identical.

82. All the examples of the '881 and '845 patents are written as working examples.

83. [ ]

84. An index of refraction can be determined only by physical and experimental measurement and cannot be calculated simply mathematically.

85. The indices of refraction given in the examples of the '881 and '845 patents appear to one skilled in the art to be very precise, being given to the fourth decimal place.

86. One skilled in the art in 1974 would believe from the indices of refraction given in the examples of the '881 and '845 patents that those examples had actually been performed and that the indices of refraction had actually been physically experimentally determined. [ ]

87. The boiling points of products asserted to be made by examples of the '881 and '845 patents are given in the examples. One skilled in the art in 1974 would believe from the boiling points given in the examples of the '881 and '845 patents that those examples had actually been performed and the boiling points actually experimentally determined.

88. [ ]

89. [ ] The "yield" of reaction products is given for almost all of the examples of the '881 and '845 patents and would be understood by one skilled in the art in 1974 to have been determined experimentally, rather than simply by mathematical calculation.

90. [ ]

91. The '881 examples are written as work which was actually performed, the results of specific experiments being provided. The indications that the experiments would have been actually conducted are the melting point, the refractive index, the language that indicates that certain steps were repeated, the specification of yield.

92. [ ]

93. The tin and sulfur limitations of Claim 1 tell the public what is claimed in the Kugele patents. [ ]

94. When organotin patents provide specific yield and percent calculations, including refractive indices, one skilled

in the art would conclude that the experiments were performed. [ ]

95. The examples of the '881 patent would not have taught one skilled in the art in 1974 how to make and use the claimed invention. [ ]

96. [ ]

97. [ ]

98. [ ]

99. [ ]

100. [ ]

101. [ ]

102. [ ]

103. [ ]

104. [ ]

105. [ ]

106. [ ]

107. [ ]

108. [ ]

109. [ ]

110. [ ]

111. [ ]

112. [ ]

113. [ ]

114. [ ]

115. No amount of testing by equipment and methods available in 1974 could identify, isolate, or separate any compound claimed by the '881 or '845 patents.

116. No amount of testing by equipment or methods available after 1974 can identify, isolate or separate any compound claimed by the '881 or '845 patents.

117. The '881 patent is invalid pursuant to 35 U.S.C. §112 because it fails to teach one skilled in the art in 1974 or today how to make and use the claimed compounds.

118. The interchangeability of mercapto alcohol esters for mercapto acid esters in organotin stabilizers was known to one skilled in the art in 1974.

119. The structural language in the claims of the '881 patent is too vague to satisfy the definiteness requirement of §112.

120. One skilled in the art in 1974 could not determine if a compound claimed by the '881 patent is made by following the teachings of the '881 patent. Even today, no amount of effort can extract products with the claimed connectivity and weight percentages of Claim 1 from the reaction products which result from the Kugele chemistry.

121. When the patent was applied for in 1974 and even after the patent issued in 1978, there was not one single test available to determine the claimed connectivity.

122. One skilled in the art in 1974 could not determine if a compound having the partial connectivities claimed by the '881 patent is made by following the teachings of '881.

123. [ ]

124. One skilled in the art in 1974 could not determine if a compound having the percent weight of tin claimed by the '881 patent is made by following the teachings of '881.

125. No amount of experimentation, including undue experimentation, could show one skilled in the art in 1974 that a compound claimed by the '881 and '845 patents can be made.

126. No amount of experimentation could show one skilled in the art in 1974 that a compound not made according to the examples of the '881 patent does or does not infringe Claim 1.

127. [ ]

128. [ ]

129. The examples of the '881 patent actually teach a procedure which, when followed, makes a complex mixture of chemicals.

130. The complex mixture of chemicals made according to the examples of the '881 patent cannot be shown to include a compound claimed by the '881 patent.

131. [ ]

132. [ ]

133. [ ]

134. [ ]

135. [ ] NMR analysis has not established that a compound simultaneously has the partial connectivities and the percent weight ranges of tin and sulfur claimed by Claim 1 of the '881 patent.

136. [ ]

137. [ ] Tetramethyltin, tetrabutyltin and tetra octyltin can all be used as an internal reference standard to perform quantitative NMR experiments.

138. [ ]

139. [ ]

140. [ ]

141. [ ]

142. [ ]



143. [ ]

144. Findings of Fact numbered 13, 14, 26, 29, 31, 33, 43, 45, 50, 71, 83, 92, 98, 99, 107, 108, 109, 113, 128, 133, 138, 139, 140, 141, 142 and 143 are repeated herein.

145. [ ]

146. After the *Argus* trial, Morton wrote to distributors of Cardinal products; [ ]

147. [ ]

148. While the *Argus* case was *sub judice*, Morton contacted Cardinal's distributors and threatened to sue the distributors for infringement if they did not cease to distribute Cardinal's products.

149. [ ]

150. After the decision by the Court of Appeals for the Federal Circuit, Morton continued to pursue Cardinal on the patents which the Court held not infringed. [ ]

151. [ ]

152. In light of the evidence of which Morton was aware demonstrating that the patents are invalid, this court believes that the pursuit of this litigation against Cardinal was unwarranted; however, this court cannot find that this action meets the exceptional case requirements of 35 U.S.C. §285.

#### IV. CONCLUSIONS OF LAW

##### As to Infringement

1. This is a patent infringement action arising under 35 U.S.C. §271, *et seq.*, and the declaratory judgment statute, 28 U.S.C. §2201.

2. Jurisdiction of this court and venue are pursuant to 28 U.S.C. §1338(a) and §1400(b), respectively.

3. The plaintiff, Morton International, Inc., has charged the defendants, Cardinal Chemical Company, et al., with infringement of U.S. Letter Patent Nos. 4,062,881 and 4,120,845 by the manufacture, use or sale of organotin stabilizer products known as CC7710, CC7711, CC7712, CC7712A and CC7712M.

4. Morton, as the patent owner, has the burden of proving infringement by a preponderance of the evidence. *Envirotech Corp. v. Al George, Inc.*, 730 F.2d 753, 758 (Fed. Cir. 1984); *Under Sea Industries v. Dacor Corp.*, 833 F.2d 1551 (Fed. Cir. 1987); *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931, 943-44 (Fed. Cir. 1990).

5. A preponderance of the evidence is:

That degree of relevant evidence which a reasonable mind, considering the record as a whole, might accept as sufficient to support a conclusion that the matter asserted is more likely to be true than not true.

*Hale v. Department of Transportation, Federal Aviation Administration*, 772 F.2d 882, 885 (Fed. Cir. 1985).

6. Cardinal has the burden of proving that the '881 and '845 patents are invalid under 35 U.S.C. §112. Cardinal's burden of proving the invalidity of the '881 and '845 patents is by clear and convincing evidence. 35 U.S.C. §282; *Akzo, N.V. v. E. I. du Pont de Nemours*, 810 F.2d 1148 (Fed. Cir. 1987).

7. The claims and specifications of a patent must describe the invention with sufficient particularity to enable the public to ascertain whether or not their activities infringe. *Permutit Co. v. Graver Corp.*, 284 U.S. 52, 60 (1931); *General Electric Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 369 (1938); *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 232-233 (1942).

8. To show infringement of Claim 1 of the '881 patent by any Cardinal product, Morton is required to prove that

every limitation in the claims, including the limitations specifying the percent range of tin and sulfur by weight, are met by Cardinal's products. *Loctite Corp. v. Fel-Pro, Inc.*, 667 F.2d 577, 582 (7th Cir. 1981).

9. At the time of filing the Kugele applications, and at the time the Kugele patents issued, no tests were available to determine infringement of the Kugele patents. Accordingly, one skilled in the art could not determine whether a product would infringe the patents without undue experimentation.

10. The '881 and '845 patents claim compounds useful as stabilizers for vinyl chloride polymers which have specified molecular structures, as well as a specific weight percentage of tin and sulfur within the claimed molecule.

11. The claim incorporates what has been referred to in this case and in the *Argus* trial as the "connectivity" requirement. The claim further requires that the organotin compound have an amount of tin within the range of 10-42% by weight and an amount of sulfur within the range of 8-42% by weight.

12. The accused stabilizers do not literally infringe the claims of the '881 and '845 patents.

13. Morton has asserted that the manufacture or sale of Cardinal's accused products constitutes an infringement of Claim 1 of the '881 patent and inducement to infringe Claim 1 of the '845 patent.

14. Morton concedes that if the Cardinal products do not infringe Claim 1 of the '881 patent, Cardinal does not induce or contribute to infringement of the '845 patent.

15. Determining infringement requires claim construction as a preliminary step. *Atlas Powder Co. v. E. I. du Pont de Nemours & Co.*, 750 F.2d 1569, 1579 (Fed. Cir. 1984). If Claim 1, properly construed, reads on the accused stabilizers, Cardinal literally infringes that claim.

16. Claim 1 of the '881 and '845 patents claim a family of compounds which share with each and every other member of the class (a) a very specific and well-defined partial connectivity and (b) tin and sulfur contents within specified broad ranges.

17. Once the claim is properly interpreted, it must then be compared with the Cardinal defendants' CC7700 series stabilizers to determine whether each of the elements of Claim 1 of the '881 patent and '845 are present in those stabilizers. *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044, 1054 (Fed. Cir.), *cert. denied*, 488 U.S. 825 (1988).

18. Morton did not carry its burden of proof. The preponderance of the evidence shows that Cardinal's accused products contain a mixture of organotin components. [ ] Furthermore, the lack of specificity of all the tin and sulfur analyses submitted at trial precludes Morton from asserting that Cardinal's accused products fall within the claimed ranges for tin and sulfur in either the '881 or the '845 patent.

19. [ ] which were not recognized in the organotin stabilizer industry at the time the Kugele patent applications were filed. Accordingly, such analyses are legally irrelevant to the issue of infringement because reliance on such techniques would cause the patent to mean one thing at the time of issuance and another at some later date. *Raybestos-Manhattan, Inc. v. Texon, Inc.*, 268 F.2d 839 (1st Cir. 1959); *Swift Chemical Co. v. Usamex Fertilizers, Inc.*, 490 F.Supp. 1343 (E.D.La. 1980), *aff'd*, 646 F.2d 1121 (5th Cir. 1981).

20. Morton has failed to establish, by a preponderance of the evidence, that any of the accused Cardinal organotin heat stabilizer products include a compound within the scope of Claim 1 of the Kugele '881 patent, nor has Morton established, by a preponderance of the evidence, that the manufacture or sale of these products constitutes an inducement to infringe Claim 1 of the Kugele '845 patent.



21. During the trial, it was established that a person skilled in the art cannot determine whether the compounds, as claimed, actually exist. The claims require specific chemical structures for the claimed compounds, referred to as "connectivities." The term "connectivity" means how the atoms of a compound are arranged in relation to one another, i.e., how the atoms are connected by chemical bonds. The evidence has shown that it is not possible for one skilled in the art of organotin stabilizers to ascertain the actual existence of these claimed connectivities.

22. The claims of the '881 and '845 patents define compounds containing specific connectivities which, in pertinent part, consist of tin-sulfur-tin reverse ester mercaptides. None of the claims of either the '881 or '845 patents contain any process information directed to obtaining the claimed tin-sulfur-tin reverse ester mercaptide connectivity. There is no information in the patents describing how to separate or isolate the claimed compounds from other compounds contained in the complicated chemical mixture. [ ]

23. [ ]

24. [ ]

25. [ ]

26. High pressure liquid chromatography establishes that Cardinal's accused stabilizers such as CC7710 contain a mixture of components. The HPLC results of Cardinal's accused stabilizer products such as CC7710 are consistent with a complex mixture of prior art alkyltin compounds.

27. The liquid chromatographic analysis work conducted on Cardinal's accused stabilizer products and model systems provides no evidence for the presence of compounds claimed in the '881 patent.

28. NMR cannot be used to establish the weight ranges of tin and sulfur in the claimed compounds because they cannot be isolated.

29. [ ]

30. The evidence establishes clearly and convincingly that it is impossible for a person skilled in the art to obtain tin and sulfur analyses which are specific to the compounds claimed, and that it was likewise impossible to obtain in 1974.

31. Based on all the evidence presented at trial, including elemental analyses as well as instrumental analyses, the accused products do not literally infringe the claims of the Kugele '881 or '845 patents.

32. Since there is no literal infringement, this court must determine whether there is infringement under the doctrine of equivalents. *Coleco Industries v. U.S. Int'l Trade Comm'n*, 573 F.2d 1247, 1257 (C.C.P.A. 1978).

33. Cardinal's accused products do not infringe the '881 and '845 patents under the doctrine of equivalents.

34. A chemical compound or composition that does not literally infringe a claim can infringe under the doctrine of equivalents. The doctrine allows a finding of infringement when the accused product and the claimed invention perform substantially the same function in substantially the same way to yield substantially the same result. *Graver Tank & Manufacturing Co. v. Linde Air Products Co.*, 86 F.Supp. 191 (N.D.Ind. 1947), *rev'd*, 167 F.2d 531 (7th Cir. 1948), *aff'd*, 336 U.S. 271 (1949), *reh'g granted*, 337 U.S. 910 (1949), *aff'd*, 339 U.S. 605 (1950); *Insta-Foam Products, Inc. v. Universal Foam Systems, Inc.*, 906 F.2d 698, 702 (Fed. Cir. 1990); *Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931, 934 (Fed. Cir. 1987) (*en banc*), *cert. denied*, 485 U.S. 961 (1988), *cert. denied*, 485 U.S. 1009 (1988).



35. Even if this test is met, however, there can be no infringement if the asserted scope of equivalency of what is literally claimed would encompass the prior art. *Pennwalt, supra* at 934 n.1; *Senmed, Inc. v. Richard-Allen Medical Indus., Inc.*, 888 F.2d 815, 821 (Fed. Cir. 1989).

36. A finding of equivalence is a finding of fact. *Thomas & Betts Corp. v. Litton Systems, Inc.*, 720 F.2d 1572, 1579 (Fed. Cir. 1983).

37. The purpose of the doctrine of equivalents is to make it impossible for the unscrupulous copier to make unimportant and insubstantial changes and substitutions which, although adding nothing, would be enough to take the copied matter outside the literal scope of the claim, and hence, apparently outside the reach of the law. *Graver Tank, supra* at 607; *Radio Steel & Mfg. Co. v. MTD Products, Inc.*, 731 F.2d 840, 847 (Fed. Cir.), *cert. denied*, 469 U.S. 831 (1984). To permit imitation of a patented invention which does not copy every literal detail would be to convert the protection of the patent grant into a hollow and useless thing. *Graver Tank, supra* at 607; *Thomas & Betts, supra* at 1579.

38. While a pioneer invention is entitled to a broad range of equivalents, an invention representing only a modest advance over the prior art is given a more restricted range of equivalents. *Thomas & Betts, supra* at 580. As was demonstrated during trial, the organotin stabilizer art is crowded. The Kugele patent claims are so narrow that they call for the existence of specific compounds which cannot, even now, be isolated or purified. Where a patent is narrow or the art is crowded, the range of equivalents available to the patentee may "be so narrow as to be virtually non-existent." *Parmalee Pharmaceutical v. Zink*, 285 F.2d 465 (8th Cir. 1961).

39. [ ]

40. During the reexamination of the Kugele '881 and '845 patents, Morton kept the tin and sulfur weight per-

cent ranges in all claims of the patents. The prosecution history including the reexamination does not allow Morton to "write out" these limitations from the claims.

41. Morton has not proven by a preponderance of the evidence that the claimed connectivity exists in Cardinal products. Therefore, it is not necessary to reach the question of whether the tin and sulfur weight percentages exist. However, to make a complete record, the following analysis deals with Morton's assertion of infringement under the doctrine of equivalents.

42. Where a claim does not literally read on an accused product because one or more limitations of the claim are not met exactly, infringement may be found if such limitations are satisfied equivalently. *Graver Tank*, 339 U.S. at 608.

43. The patentee should not be able to obtain, under the doctrine of equivalents, coverage which he could not lawfully obtain from the PTO by literal claims. *Wilson Sporting Goods Co. v. David Geoffrey & Ass.*, 904 F.2d 677, 684 (Fed. Cir. 1990) (petition for cert. filed October 2, 1990, No. 90-572).

44. The patentee bears the burden of showing that a hypothetical claim constructed to encompass the accused product under the doctrine of equivalents is patentable over the prior art. *Id.*

45. Analysis under the doctrine of equivalents requires that every limitation set forth in a claim must be found in an accused product exactly or by a substantial equivalent. *Corning Glass Works v. Sumitomo Elec. U.S.A., Inc.*, 868 F.2d 1251, 1259 (Fed. Cir. 1989); *Pennwalt, supra* at 935; *Perkin-Elmer Corp. v. Westinghouse Elec. Corp.*, 822 F.2d 1528, 1532-33 (Fed. Cir. 1987).

46. If a claim limitation or its substantial equivalent is not present, there can be no infringement either literally or under the doctrine of equivalents. *Julien v. Zeringue*,

864 F.2d 1569, 1571 (Fed. Cir. 1989), *cert. denied*, — U.S. —, 110 S.Ct. 276 (1990); *ZMI Corp. v. Cardiac Resuscitator Corp.*, 844 F.2d 1576, 1582 (Fed. Cir. 1988), *aff'd*, 899 F.2d 1228 (1990).

47. Under the doctrine of equivalents, it is improper to ignore claim limitations and merely compare the claimed invention's overall operation with the accused product. *Julien*, *supra* at 1570.

48. In a doctrine of equivalents analysis, each element or limitation of a claim is material and essential and it is improper to read an element or limitation out of a claim. *Moleculon Research Corp. v. CBS, Inc.*, 872 F.2d 407, 409 (Fed. Cir. 1989); *Lemelson v. United States*, 752 F.2d 1538, 1551 (Fed. Cir. 1985).

49. A multi-limitation claim cannot be converted to one or two limitations to support a finding of equivalence. *Perkin-Elmer*, *supra* at 1532. A patentee's lack of proof that a claim limitation was present by equivalency in the accused product is fatal to a charge of infringement. *Moleculon*, *supra* at 409.

50. The doctrine of equivalents does not allow the patentee to prevent the manufacture, use or sale of every product generally similar to the patented invention. Instead, substantial identity must be proven with regard to all three factors of the doctrine specified in *Graver Tank*, *supra*, which include the function performed, the means by which function is performed, and the result achieved. *Lear Siegler, Inc. v. Sealy Mattress Co. of Michigan, Inc.*, 873 F.2d 1422, 1425 (Fed. Cir. 1989) (citing *Graver Tank*, *supra* at 609-10).

51. A patentee fails to meet its burden of showing infringement of a claimed formulation under the doctrine of equivalents when its contention that the alleged infringing formulation operates in substantially the same way as the claimed formulation is dependent upon the alleged infr-

ing formulation operating by a specific mechanism and there is a second viable competing mechanism by which the formulation may operate. *American Hospital Supply Corp. v. Travenol Laboratories, Inc.*, 745 F.2d 1 (Fed. Cir. 1984).

52. [ ]

53. The doctrine of equivalents requires establishment that something that is not literally claimed is equivalent to that which is literally claimed. Because compounds as claimed by the '881 and '845 patents have not been isolated or purified, such a determination is not possible. As found by the court in *Argus*, there is a significant doubt as to whether "equivalency" to the claimed compounds of the Kugele '881 and '845 patents could be established under any circumstances. To the extent that the plaintiff is asserting that Cardinal's products are "equivalent," the plaintiff must show that Cardinal's products are equivalent to the claims of the '881 and '845 patents, not to any of the plaintiff's products. It "is not enough merely to demonstrate equivalency" of the two commercial products, neither of which can be shown to contain the claimed compound. *Nestier Corporation v. Menasha Corporation*, 739 F.2d 1576, 1579 (Fed. Cir. 1984), *cert. denied*, 470 U.S. 1053 (1985). Morton has failed to establish by a preponderance of the evidence that the accused Cardinal products are substantially equivalent to the inventions claimed in the Kugele '881 and Kugele '845 patents.

54. To establish infringement under the doctrine of equivalents, Morton must show that a compound having a certain percent weight of tin and sulfur in the accused Cardinal products is substantially equivalent in means, function, and result to a compound with the claimed weight percent ranges for tin and sulfur claimed in the Kugele '881 and '845 patents. *Corning Glass*, *supra* at 1259; *Pennwalt*, *supra* at 935. Morton has failed to establish by a preponderance of the evidence that the accused Cardinal



products contain a compound with the claimed connectivity and an amount of tin and an amount of sulfur that is substantially equivalent in means, function and result as a claimed compound. Morton cannot ignore this limitation in the claims of the Kugele '881 and '845 patents. *Moleculon, supra* at 409. [ ]

55. When the accused product avoids literal infringement by changing one ingredient of a claimed composition, it is appropriate for a court to consider in assessing equivalence whether the changed ingredient has the same purpose, quality and function as the claimed ingredient. *Atlas Powder Co. v. E. I. du Pont de Nemours & Co., supra* at 1579-80. [ ] In addition, Cardinal employs a process not taught by the patent to make its products. These chemicals and process have an effect on the products made by Cardinal and produce different compounds in its commercial products than are obtained by following the Kugele patents.

56. When a parameter of an accused product is outside of the claimed range so that there is no literal infringement, the court is to determine whether the parameter outside of the claimed range is substantially equivalent to the claimed range. *E. I. du Pont de Nemours & Co. v. Phillips Petroleum Co., 711 F.Supp. 1205, 1224 (D.Del. 1989)*. [ ] Cardinal's tests of the various components of its stabilizers demonstrate that all of the [ ] used to make Cardinal's product have definite stabilizing qualities even before [ ]

57. To the extent that Morton asserts that Cardinal's products are "equivalent," Morton must show that the Cardinal products are equivalent to the claims of the '881 and '845 patents, not to any Morton products. It is not enough merely to demonstrate "equivalency" of the two commercial products. *Nestier Corporation, supra* at 1579. Morton has failed to establish by a preponderance of the evidence that the accused Cardinal products infringe any

claim of the Kugele '881 and Kugele '845 patents under the doctrine of equivalents.

58. To the extent that Morton asserts infringement by "equivalence" because of some similarities in the process and starting materials used by Cardinal with those specified in the specifications of the '881 and '845 patents, this approach is completely inappropriate. Claims, not specifications, are infringed. See *SRI International v. Matsushita Electric Corp., 775 F.2d 1107, 1121 (Fed. Cir. 1985)*.

### As to Validity

59. Cardinal has the burden of proving that the '881 and '845 patents are invalid under 35 U.S.C. §§ 101, 102, 103 and 112. Cardinal's burden of proving invalidity of the '881 and '845 patents is by clear and convincing evidence. 35 U.S.C. § 282; *Akzo, N.V., supra*.

60. Under 35 U.S.C. § 282, patents are presumed valid. *Akzo, N.V., supra; Roper Corp. v. Litton Systems, Inc., 757 F.2d 1266 (Fed. Cir. 1985)*. The burden of proving invalidity, often referred to as the "presumption of validity," is deemed procedural and not substantive. *Stratoflex, Inc., 713 F.2d 1530, 1534 (Fed. Cir. 1983); D. L. Auld Company v. Chroma Graphics Corporation, 714 F.2d 1144, 1147 n.2 (Fed. Cir. 1983), cert. denied, 474 U.S. 825 (1985)*. The presumption has no independent evidentiary value; rather, it merely assigns to the patent challenger the initial burden of proving that the challenged patent is invalid. *SSIH equipment, S.A. v. United States International Trade Commission, et al., 718 F.2d 365, 375 (Fed. Cir. 1983)*.

61. While a patent should not be held invalid because the patentee has misconceived the scientific principle of his invention, the error cannot be overlooked when the misconception is embodied in the claim. *Graver Tank, 86 F.Supp. 191, 197 (N.D.Ind. 1947); Raytheon Company v.*



*Roper Corporation*, 724 F.2d 951, 956 (Fed. Cir. 1983), *cert. denied*, 469 U.S. 835 (1984).

62. In his patents, Dr. Kugele claimed a chemical compound by a specific structure. [ ] Since he claimed a specific structure which is not ascertainable by those skilled in the art or by any analytical methods, this error is embodied in the claims and cannot be overlooked.

63. A claim containing a limitation impossible to meet is invalid under §§ 101 and 112. *Raytheon, supra* at 956 (Fed. Cir. 1983).

64. To establish the existence of a compound for the purpose of showing actual reduction to practice of that compound, the question generally is whether, when all the circumstances are considered, there is a reasonable certainty as to the existence of the compound. *Young v. Bullitt*, 223 F.2d 347 (C.C.P.A. 1956); *Application of Breslow*, 616 F.2d 516, 523 (C.C.P.A. 1980) (concurring opinion).

65. The '881 and '845 patents are indefinite and thus invalid under 35 U.S.C. § 112, second paragraph.

66. The second paragraph of 35 U.S.C. § 112 sets forth the requirements that the claims of the patent must particularly point out and distinctly claim the subject matter of the invention. *Standard Oil Co. v. American Cyanamid Co.*, 774 F.2d 448, 452 (Fed. Cir. 1985).

67. The second paragraph of § 112 requires a patentee to claim a chemical product "with sufficient particularity that it can be identified and that those who are interested in its manufacture are enabled to determine what will and what will not infringe." *Benger Laboratories Ltd. v. R. K. Laros Co.*, 209 F.Supp. 639, 642 (E.D.Pa. 1962), *aff'd*, 317 F.2d 455 (1963), *cert. denied* 375 U.S. 833 (1963); *see also Standard Oil Co.*, 774 F.2d at 453.

68. Because no one knows the precise chemical structure of the claimed Kugele compounds, and the claimed com-

pounds cannot be identified by testing, one cannot determine infringement as required by 35 U.S.C. § 112.

69. Dr. Kugele having chosen the wrong format, this court is without power to rewrite the claims in a more definite format. *See Super Products Corporation v. D. P. Way Corporation*, 546 F.2d 748, 756 (7th Cir. 1976).

70. Section 112, second paragraph, requires the claims to "provide a clear warning to others as to what constitutes infringement of the patent." D. Chisum, *Patents* § 8.03 at 8-10, 12 (1987); *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 232-33 (1942).

71. Where undue experimentation and tests are required to determine whether a product infringes a claim, the claim is invalid for indefiniteness. *Interlake, Inc. v. Weld-loc Systems, Inc.*, 213 U.S.P.Q. 154, 161-62 (C.D. Ohio 1981); *Standard Oil v. Tidewater Associated Oil Co.*, 154 F.2d 579, 583 (3d Cir. 1946); *Deep Welding Co., Inc. v. Sciaky Bros., Inc.*, 417 F.2d 1227 (7th Cir. 1969), *cert. denied*, 397 U.S. 1037 (1970).

72. The validity of a patent claim under § 112 depends on whether the subject matter contained in the claim has a clear and definite meaning when construed in light of the complete patent document. *Standard Oil Co.*, 774 F.2d at 452.

73. In *Application of Breslow, supra*, the court held that it is not imperative that the compounds be isolated in order to be claimed. The court, however, required that the compounds must in fact exist. Morton has failed to demonstrate even today that the compounds in fact exist and has failed to teach one skilled in the art how to determine the scope of the claims.

74. Because no one can determine by analytical or other means whether a given compound falls within Claim 1 of the Kugele patents, a determination of infringement is impossible. Furthermore, because no one has ever isolated the claimed compounds for comparison purposes, no ana-

lytical tests can be performed to determine whether a compound falls within the claims for a determination of either literal infringement or infringement under the doctrine of equivalents.

75. While Claim 1 of the Kugele patents appears to be detailed, there is no way to determine accurately whether a compound contains every limitation of Claim 1, which limitations are required by all the claims of the Kugele '881 and '845 patents.

76. The plaintiff's patents do not enable one skilled in the art to make and use the claimed invention with any experimentation, much less undue experimentation. The experimentation required by the Morton patent as it is claimed is exactly the same type of experimentation which was disallowed in *Application of Gardner*, 427 F.2d 786 (C.C.P.A. 1970). See also *Application of Scarbrough*, 500 F.2d 560, 565 (C.C.P.A. 1974).

77. In drafting its patent applications, Morton was entitled to claim the alleged invention as narrowly or as broadly as it chose. The plaintiff/patentee was solely responsible for drafting the claims of the '881 and '845 patents. Morton cannot now complain that it chose the wrong format. *Ex Parte Siddiqui*, 156 U.S.P.Q. 426, 428 (1967). See also *Hormone Research Foundation, Inc. v. Genentech, Inc.*, 904 F.2d 1558, 1564 *reh'g denied*, 1990 U.S.App. Lexis 17559 (Fed. Cir. Sept. 24, 1990).

78. When claims require specific limitations to exist, a patent will be held invalid where costly and lengthy independent experimentation is required to determine whether a product was within the bounds of the patent claims. *Corning Glass Works v. Anchor Hocking Glass Corp.*, 253 F.Supp. 461, 479 (D.Del. 1966) *rev'd on other grounds*, 374 F.2d 473 (3d Cir. 1967), *cert. denied* 389 U.S. 826 (1967). This standard was applied in *Standard Oil*; the court must apply the "most immediate test of sufficiency of precision in description" which is "that no inventor may

compel independent experimentation by others to ascertain the bounds of his claims." *Corning*, 253 F.Supp. at 479 (citing *Standard Oil Co. v. Tidewater Associated Oil Co.*, 154 F.2d at 582-83).

79. As established in the conclusions above related to infringement, the connectivities claimed cannot be established by one skilled in the art either now or in 1974. For the reasons recited in those conclusions, the court finds that the claims of the patents at issue fail to satisfy the requirement of definiteness under 35 U.S.C. § 112, second paragraph. Cardinal has met its burden of proof under § 112 by clear and convincing evidence. Therefore, the '881 and '845 patents are invalid.

80. The '881 and '845 patents are invalid because their specifications are not enabling as required by 35 U.S.C. § 112, first paragraph.

81. The first paragraph of 35 U.S.C. § 112 requires that the specification of the Kugele patents "enable" or teach one skilled in the art to make and use the compounds claimed therein without undue experimentation. *W. L. Gore & Assoc. v. Garlock, Inc.*, 721 F.2d 1540, 1556 (Fed. Cir. 1983), *cert. denied*, 469 U.S. 851 (1984). A patent specification must enable those skilled in the art, at the time the application was filed, to practice the claimed invention as claimed because "it is the claimed invention for which enablement is required." *Id.*

82. The first paragraph of § 112 states:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode



contemplated by the inventor of carrying out his invention.

83. The patent specifications for the '881 and '845 patents are virtually identical. All of the examples of the '881 and '845 patents are written as working examples,—i.e., written to represent work that has been actually performed in the manner specifically stated within each example. [ ]

84. "In chemical cases, important considerations include the type of reactions, the state of the art, the representative nature of the examples, and the breadth of the claims. The question which must be asked in every case is whether the claims are, in fact, reasonable definitions of the inventions disclosed." *In re Ranier*, 377 F.2d 1006, 1012 (C.C.P.A. 1967). In the present case, the claims cannot be considered reasonable definitions of the inventions. Dr. Kugele made mixtures of compounds he used as PVC stabilizers. [ ]

85. The '881 patent alleges to teach the formation of postulated compounds as claimed in the patent. Even with the aid of sophisticated analytical instrumentation and the use of model systems which attempt to provide the compounds claimed in the '881 patent, however, there is no evidence that such compounds exist. The clear and convincing evidence has shown that the examples of the '881 patent do not produce the postulated compounds. Rather, the examples and procedures produce a complex mixture of alkyltin mercaptides and alkyltin sulfides. The evidence established that a number of these are prior art compounds known to be useful as heat stabilizers.

86. Section 112 "requires that the scope of the claims must bear a reasonable correlation to the scope of enablement provided by the specification . . . In cases involving unpredictable factors, such as most chemical reactions and physiological activity, the scope of enablement obviously varies inversely with the degree of unpredictability

of the factors involved." *Application of Fisher*, 427 F.2d 833, 839 (C.C.P.A. 1970); see also *In re Hogan*, 559 F.2d 595, 605-06 (C.C.P.A. 1977). As noted, the chemistry in these systems is very complicated and not understood even today. Accordingly, at a minimum, it would be required to show the stabilizing activity of the claimed compound alone and some proof of the claimed structure in order for the claims to be enabling as written.

87. Those skilled in the art, by investigation should be able to make and use the invention. *Application of Gardner*, 427 F.2d 786, 789 (C.C.P.A. 1970). Requiring those skilled in the art, by investigation and by a great amount of work, to determine how to use the invention is not adequate disclosure. *Id.*

88. The evidence clearly and convincingly establishes that a person skilled in the art is unable to ascertain the claimed structures in order to avoid infringement of the '881 and '845 patent claims. Therefore, this court concludes that the language of the '881 and '845 patent claims relating to the tin-sulfur-tin reverse ester mercaptide connectivity is too vague to satisfy the definiteness requirement of § 112. *Standard Oil Co. v. American Cyanamid Co.*, 774 F.2d 448 (Fed. Cir. 1985) (when construed in light of the complete patent document, claim containing the term "partially soluble" was too vague under § 112).

89. The limitations contained in the claims of the Kugele patents are impossible to ascertain. In light of the evidence clearly and convincingly establishing that the plaintiff has never been able to either identify or isolate a compound having a structure, tin and sulfur content, or connectivity as claimed in the Kugele patents, the disclosures of both the patents are nonenabling and, therefore, invalid under 35 U.S.C. § 112, first paragraph.

90. Cardinal has proven with clear and convincing evidence that the Kugele specifications are nonenabling. Expert testimony and analytical data show that when the



procedures set forth in the Kugele specifications are followed, a multicomponent product is obtained. [ ] Moreover, the evidence establishes that one skilled in the art, using state of the art analytical techniques, cannot detect or isolate the claimed compound.

91. The '881 and '845 specifications disclose no analytical techniques which would have enabled a person skilled in the art at the time the application was filed to determine whether the claimed compounds could be made by following a procedure specified in the patents. Testimony by those skilled in the art has proven that analytical techniques available in 1974 (when the '881 patent applications was filed) provided no analytical evidence that the claimed compounds resulted from following the procedures specified in the Kugele patents. In fact, the testimony and other evidence shows that 1974 technology, such as chromatography, clearly would have demonstrated that products manufactured according to the specified procedures were mixtures and not the single compound taught by the examples in the '881 and '845 patents. As drafted, the '881 and '845 disclosures would not enable a person skilled in the art at the time the application was filed to make or use the claimed compounds.

92. Patent claims are reexamined only in light of patents or printed publications under 35 U.S.C. §§ 102, 103 and only new or amended claims can be examined under 35 U.S.C. § 112. *In re Etter*, 756 F.2d 852, 856 (Fed. Cir. 1985), *cert. denied*, 474 U.S. 828 (1985).

93. The claims of the Kugele patents were not amended during the reexamination proceeding, and no new claims were added during the reexamination proceeding. Therefore, the reexamination proceeding involving the Kugele patents was limited by statute only to a review of patents and printed publications under 35 U.S.C. §§ 102 and 103.

94. During reexamination proceeding, the examiner cannot consider § 112 issues, because such issues are not en-

compassed by the statutory authorization. *Patlex Corp. v. Quigg*, 680 F.Supp. 33, 36 (D.D.C. 1988); *Dresser Industries, Inc. v. Ford Motor Company*, 530 F.Supp. 303, 306 (N.D.Tex. 1981).

95. Accordingly, this court's finding of invalidity of the '881 and '845 patents under § 112 is not inconsistent with the reexamination proceedings.

96. The court having found that the plaintiff has failed to prove by a preponderance of the evidence any infringement of the patents, judgment should be entered in favor of the defendants, dismissing the plaintiff's action for infringement, and in favor of the defendants on their counterclaim of invalidity of the patents.

#### **As to the Exceptional Case Requirement**

97. The purpose of § 285 is "to compensate the prevailing party for its monetary outlays in the prosecution or defense of the suit." *Central Soya Co., Inc. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 1578 (Fed. Cir. 1983).

98. A finding of "exceptional circumstances" requires "proof of actual wrongful intent . . . or gross negligence." *Machinery Corporation of America v. Gullfiber AB*, 774 F.2d 467, 473 (Fed. Cir. 1985) (citing *Reactive Metals and Alloys Corp. v. ESM, Inc.*, 769 F.2d 1578, 1583 (Fed. Cir. 1985)). The term "exceptional" in 35 USC § 285 is equivalent to "frivolous." See *Porter v. Farmers Supply Services, Inc.*, 790 F.2d 882, 887 (Fed. Cir. 1986).

99. The court does not abuse its discretion in awarding attorneys fees to prevailing defendants where the action is brought by the plaintiff without reasonable belief in the validity of the patents. *Talon, Inc. v. Union Slide Fastener, Inc.*, 121 U.S.P.Q. 249, 255-56 (9th Cir. 1959).

100. Awards of increased damages often are made in the same case, based upon a single finding by the court that the circumstances are exceptional. See *Coleman Com-*

*pany v. Holly Mfg. Co.*, 269 F.2d 660, 661 (9th Cir. 1959). It is the defendants' burden to establish that the present case is an exceptional case by clear and convincing evidence. *Reactive Metals Alloys Corp.*, *supra* at 1582.

101. Despite having some serious reservations as to Morton in fact retrying the *Argus* case, this court does not find that this action constitutes an exceptional case under 35 USC § 285.

102. Because of the above findings and conclusions, it is unnecessary to consider other grounds urged by the defendants for a finding of patent invalidity or unenforceability.

Now, therefore,

IT IS ORDERED that the Clerk is directed to enter judgment for the defendants in this case, dismissing the plaintiff's action for infringement with prejudice and at its costs.

IT IS FURTHER ORDERED that the Clerk is directed to enter judgment for the defendants on their counterclaim of invalidity of the patents, as patents 4,062,881 and 4,120,845 are found to be invalid.

IT IS SO ORDERED.

---

WILLIAM M. CATOE, JR.  
UNITED STATES MAGISTRATE

January 10, 1991

Greenville, South Carolina

# APPENDIX D

## FILED

### U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT

APR 17 1992

FRANCIS X. GINDHART  
CLERK

## ORDER

Before MAYER, Circuit Judge, LOURIE, Circuit Judge,  
CLEVINGER, Circuit Judge.

A petition for rehearing having been filed by the appellant in this case,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, denied.

The suggestion for rehearing in banc is under consideration.

The mandate will issue on April 24, 1992.

FOR THE COURT,

/s/ Francis X. Gindhart  
Clerk

Dated: April 17, 1992

cc: GORDON R. COONS  
CHARLES F. SCHILL

MORTON INTL V CARDINAL CHEM, 91-1174  
(DCT-83-889)

## APPENDIX E

FILED  
U.S. COURT OF APPEALS FOR  
THE FEDERAL CIRCUIT

APR 17 1992

FRANCIS X. GINDHART  
CLERK

## ORDER

Before MAYER, Circuit Judge, LOURIE, Circuit Judge,  
CLEVINGER, Circuit Judge.

A petition for rehearing having been filed by the cross-appellant in this case,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, denied.

The suggestion for rehearing in banc is under consideration.

The mandate will issue on April 24, 1992.

FOR THE COURT,

/s/ Francis X. Gindhart  
Francis X. Gindhart  
Clerk

Dated: April 17, 1992

cc: GORDON R. COONS  
CHARLES F. SCHILL

MORTON INTL V CARDINAL CHEM, 91-1174  
(DCT - 83-889)

## APPENDIX F

FILED  
U.S. COURT OF APPEALS FOR  
THE FEDERAL CIRCUIT

MAY 7 1992

FRANCIS X. GINDHART  
CLERK

## ORDER

A suggestion for rehearing in banc having been filed by the appellant in this case, and a brief amicus curiae having been filed with leave,

UPON CONSIDERATION THEREOF, it is

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, declined.

Chief Judge Nies, Circuit Judge Rich, and Circuit Judge Lourie dissent. Chief Judge Nies will file an opinion at a later date.

FOR THE COURT,

/s/ Francis X. Gindhart  
Francis X. Gindhart  
Clerk

Dated: May 7, 1992

cc: GORDON R. COONS  
CHARLES F. SCHILL

MORTON INTL V CARDINAL CHEM, 91-1174  
(DCT - 83-889)



APPENDIX G

FILED  
U.S. COURT OF APPEALS FOR  
THE FEDERAL CIRCUIT

MAY 7 1992

FRANCIS X. GINDHART  
CLERK

ORDER

A suggestion for rehearing in banc having been filed by the cross-appellant in this case, and a brief amicus curiae having been filed with leave,

UPON CONSIDERATION THEREOF, it is

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, declined.

Chief Judge Nies, Circuit Judge Rich, and Circuit Judge Lourie dissent. Chief Judge Nies will file an opinion at a later date.

FOR THE COURT,

/s/ Francis X. Gindhart  
Francis X. Gindhart  
Clerk

Dated: May 7, 1992

cc: GORDON R. COONS  
CHARLES F. SCHILL

MORTON INTL V CARDINAL CHEM, 91-1174  
(DCT - 83-889)

AUG 6 1992

OFFICE OF THE CLERK

In The

# Supreme Court of the United States

October Term, 1992

CARDINAL CHEMICAL COMPANY, a partnership, W.M. QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM, and W.M. QUATTLEBAUM, III, individuals, CARDINAL MANUFACTURING CO., and CARDINAL STABILIZERS, INC.,

*Petitioners,*

vs.

MORTON INTERNATIONAL, INC.,

*Respondent.*

*In Support of Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit*

## BRIEF FOR RESPONDENT

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### **QUESTION PRESENTED**

Whether the Court of Appeals for the Federal Circuit errs when it vacates a declaratory judgment holding an asserted patent invalid merely because it determines that the patent is not infringed?



## PARTIES TO THE PROCEEDING

All parties to the proceeding below are set forth in the caption to the case. Pursuant to Rule 29.1 of the Rules of this Court, respondent states that it does not have any non-wholly owned subsidiaries, nor does it have any parent corporations.

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No. 92-114

In The

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**Supreme Court of the United States**


---

October Term, 1992

CARDINAL CHEMICAL COMPANY, a partnership, W.M. QUATTLEBAUM, JR. DOROTHY QUATTLEBAUM, and W.M. QUATTLEBAUM, III, individuals, CARDINAL MANUFACTURING CO., and CARDINAL STABILIZERS, INC.,

*Petitioners*

vs.

MORTON INTERNATIONAL, INC.,

*Respondent.*

*In Support of the Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit*

---

**BRIEF FOR RESPONDENT**


---

Respondent Morton International, Inc. (hereinafter "Morton" or simply the "Respondent") respectfully supports the petition for a writ of certiorari by the Petitioners Cardinal

Chemical Company, W.M. Quattlebaum, Jr., Dorothy Quattlebaum, and W.M. Quattlebaum, III, Cardinal Manufacturing Co. and Cardinal Stabilizers, Inc. (hereinafter "Cardinal" or simply the "Petitioners") to review the decision of the United States Court of Appeals for the Federal Circuit, entered in the above-entitled proceeding on March 20, 1992.

### STATEMENT OF THE CASE

The appeal below to the United States Court of Appeals for the Federal Circuit (the "Federal Circuit") marked the second time that Morton had been before that court appealing a district court judgment holding its United States Letters Patent Nos. 4,062,881 and 4,120,845 invalid under 35 U.S.C. § 112 (as not satisfying the "enablement" and "definiteness" requirements)<sup>1</sup> and not infringed. In both appeals the Federal Circuit, after affirming the noninfringement finding and without any consideration whatever of the merits of Morton's appeal regarding the invalidity holding, vacated that invalidity holding pursuant to the "policy" first introduced in *Vieau v. Japax*, 823 F.2d 1510, 1517, 3 U.S.P.Q. 2d 1094, 1100 (Fed. Cir. 1987); *Morton Thiokol, Inc. v. Argus Chemical Corp.*, 11 U.S.P.Q. 2d 1152 (Fed. Cir. 1989) (unpublished) ("Argus"); *Morton International Inc. v. Cardinal Chemical Co.*, 959 F.2d 948 (Fed. Cir. 1992) ("Cardinal").

---

1. 35 U.S.C. § 112 provides, in part, that a patent

... shall contain a written description of the invention, and of the manner and process of making and using it, in such ... terms as to enable any person skilled in the art to which it pertains ... to make and use the same ... [enablement]  
... and shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention. [definiteness]

Following the decision in the *Argus* appeal, the statutory presumption of validity mandated by 35 U.S.C. § 282<sup>2</sup> should have been restored to Morton's two patents. Clearly, it was not.

After the stay in the district court was lifted in the present case,<sup>3</sup> Cardinal filed a summary judgment motion (collateral estoppel and invalidity) and, in support of that motion, argued that it was "unthinkable that the Federal Circuit expected after rendering the *Argus* decision, that any defendant would be faced with the same patents again." Additionally, Cardinal argued that it was not asking the district court to go out on a limb because the "[Federal Circuit] did not disagree with the [*Argus*] District Court's findings on invalidity, but merely vacated that portion of the decision because of its stated policy of not reaching the validity issue when noninfringement is found."

Likewise, the district court in this case did not treat the § 282 presumption of validity of Morton's two patents as having been fully restored following the Federal Circuit's vacation of the invalidity holding in the *Argus* case. As a result, although the district court denied Cardinal's summary judgment motion, it admonished Morton's counsel that, "We're not going to retry *Argus*." Further it also warned Morton's counsel that a verdict would be directed against Morton "right then and there" if that was being done. The invalidity holdings in *Argus*, although vacated, were treated by the district court as being correct without any independent evaluation.

---

2. In pertinent part, 35 U.S.C. § 282 provides that:

A patent shall be presumed valid ... The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

3. By agreement of Morton and Cardinal, the present case was stayed in the district court pending the outcome of the *Argus* appeal.



## REASONS FOR GRANTING THE PETITION

The Court of Appeals for the Federal Circuit errs, as it did in this case, and as has been done in dozens of other cases when it follows the "policy" first introduced in *Vieau v. Japax*. Under that policy, the Federal Circuit routinely vacates a judgment holding an asserted patent invalid, merely because it has affirmed a district court's finding that the patent is not infringed. This practice is a disservice to all concerned: the patentee, the accused infringer, and the general public. It was for this reason that Morton strenuously urged the Federal Circuit in this case to substantively review the district court's invalidity holdings and not follow *Vieau*.

Morton, therefore, supports Cardinal's petition for a writ of certiorari. It thus joins the growing list of interested parties urging that Cardinal's petition be granted.<sup>4</sup> Given the valuable property rights a patent represents and, as this Court has long recognized, the substantial public interest involved in the question of the validity (or invalidity) of a patent,<sup>5</sup> it is not at all surprising that both parties to the present litigation, Cardinal (the accused infringer) and Morton (the patent owner), three bar associations, most of whose members specialize in the practice of patent law

4. To date the American Intellectual Property Law Association, (the "AIPLA"), the Federal Circuit Bar Association (the "Federal Circuit Bar"), the Patent, Trademark and Copyright Section of the American Bar Association (the "PTC Section of the ABA") and Atochem North America, Inc. (the defendant in the third suit involving the two Morton patents here in suit — *Morton International, Inc. v. Atochem North America, Inc.*, Civil-Action No. 87-60-RRM, United States District Court, District of Delaware) ("Atochem"), have asked Morton's consent to file *amicus curiae* briefs in support of Cardinal's petition. Morton, of course, has given them its consent.

5. See, for example, this Court's statements in *Blonder-Tongue Labs. v. University of Illinois Found.*, 402 U.S. 313, 343 (1971) and *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 816 (1945).

the AIPLA, the PTC Section of the ABA and the Federal Circuit Bar), and Atochem should *all* urge this Court to grant *certiorari* and put an end, to the Federal Circuit's erroneous "*Vieau* policy."

The Federal Circuit, to support its refusal to review invalidity (or validity) determinations when it affirms a district court's noninfringement finding, relies on the doctrine of "mootness." See, e.g. *Vieau*, 823 F.2d at 1521. Cardinal, in its petition, has fully and persuasively demonstrated that the Federal Circuit has misread precedent from this Court in relying on the "mootness doctrine." Chief Judge Nies also eloquently makes this point in her dissent to the Federal Circuit's refusal to review this issue *en banc*. (App. A, pp. 22a, *et seq.*) Morton will not plow the same ground. Instead, it will explore the real-world harm to a patentee which results from the Federal Circuit's *Vieau* policy.

In the real world, that policy places the validity of a patent in a kind of "twilight zone". On the one hand, it is not invalid (after all, the Federal Circuit did vacate the district court's invalidity holding). But yet, on the other hand, the patent is not viewed as being "really valid" by anyone other than the patent owner. Instead, it is viewed as a once dead patent, which has been "resurrected" by a mere technicality. See, e.g., J. Re and W. Rooklidge, *Vacating Patent Invalidity Judgments Upon on Appellate Determination of Noninfringement*, 72 J. Pat. and Trademark Off. Society 780 (1990). Accordingly, if the patent is subsequently litigated, it is not accorded the full and complete presumption of validity mandated by 35 U.S.C. § 282.

A stigma of invalidity has been placed on the patent which never can be removed. This stigma was recognized and underscored by Circuit Judge Lourie in his concurring opinion, when he stated that the "presumption of validity [of Morton's two patents] has been shaken, but not destroyed." (App. A, p. 13a). Certainly, when it enacted § 282, Congress never contemplated, much less

intended, that a patent should be accorded anything less than a full and complete presumption of validity or that the burden of proving a patent's validity in the first instance should ever be placed upon its owners.

Further, this stigma is not justified. Prior to its adoption of the *Vieau* policy, when the Federal Circuit reviewed invalidity determinations without regard to its decision on infringement, district court holdings of invalidity were *reversed* almost as often as they were affirmed. R. Cooley, *What The Federal Circuit Has Done And How Often: Statistical Study of the CAFC Patent Decisions — 1982 to 1988*, 71 J. Pat. and Trademark Off. Society 385 (1989).

Here, Morton, after two appeals in which the validity issue was not substantively reviewed by the Federal Circuit, has been left with two patents effectively stripped of any power in the marketplace. If Morton were to proceed against another infringer, the district court, in all likelihood would blindly accept the vacated invalidity holdings, just as the district court here adopted wholesale the *Argus* district court's invalidity holding, without any independent evaluation as to whether those holdings were correct or not. Further, any future accused infringer would, in all likelihood, seek an award of attorney's fees because, as Cardinal argued in this case, Morton would have sued on an "invalid patent." The value of Morton's patents is therefore essentially zero; effectively not enforceable and viewed with disdain by competitors and courts alike. Valuable property rights have been lost, thereby denying Morton due process of law.

Morton respectfully suggests that the Federal Circuit's "*Vieau* policy" should be ended. A presumptively valid patent should be just that — presumptively valid and not in a validity/invalidity twilight zone.

## CONCLUSION

For the reasons set forth herein, Respondent respectfully supports the Petitioners request that the Court issue a writ of certiorari to review the judgment of the Court of Appeals for the Federal Circuit in the appeal below.

Respectfully submitted,

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JUL 27 1992

OFFICE OF THE CLERK

IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1991

CARDINAL CHEMICAL COMPANY, et al.,  
*Petitioners,*

vs.

MORTON INTERNATIONAL, INC.,  
*Respondent.*

ON PETITION FOR A WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

**BRIEF OF AMICUS CURIAE  
AMERICAN INTELLECTUAL PROPERTY  
LAW ASSOCIATION IN SUPPORT OF  
PETITIONERS**

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**QUESTION PRESENTED**

After an accused patent infringer has obtained from the district court a declaratory judgment that the asserted patent is invalid, may the Federal Circuit vacate that declaration as moot solely because it has determined that the patent has not been infringed?

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IN THE  
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1992

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No. 92-114

---

CARDINAL CHEMICAL COMPANY, a partnership,  
W.M. QUATTLEBAUM, JR., DOROTHY  
QUATTLEBAUM and W.M. QUATTLEBAUM, III,  
individuals, CARDINAL MANUFACTURING CO. and  
CARDINAL STABILIZERS, INC.,  
*Petitioners,*

v.

MORTON INTERNATIONAL, INC.,  
*Respondent.*

---

ON PETITION FOR A WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

BRIEF OF AMERICAN INTELLECTUAL  
PROPERTY LAW ASSOCIATION AS  
AMICUS CURIAE IN SUPPORT  
OF PETITIONERS

This amicus curiae brief is submitted in support of  
the petition for a writ of certiorari. Both Petitioner and  
Respondent have consented to the filing of this brief.

### INTEREST OF THE AMICUS

The American Intellectual Property Law Association (AIPLA) is a national association of more than 7,000 members whose interest and practice lie in the areas of patent, copyright, trademark, trade secret and other intellectual property law. AIPLA's members include attorneys in private practice and those employed by corporations, universities and government. Unlike many other areas of practice in which separate and distinct plaintiffs' and defendants' bars exist, most, if not all, intellectual property law attorneys represent both plaintiffs and defendants.

AIPLA is deeply concerned about an issue of national public importance in this case. Specifically, if allowed to stand, the decision below would allow the Federal Circuit, with its exclusive appellate jurisdiction in patent cases, to continue its practice of routinely vacating declaratory judgments of patent invalidity in all cases where non-infringement is found. This practice eviscerates the Declaratory Judgment Act in patent cases, violates important public policy considerations, and wastes the resources of litigants and the courts.

The AIPLA joins Petitioners in urging this Court to grant a writ of certiorari and review the question presented for the following reasons: (1) the Federal

Circuit decision conflicts with decisions of this Court; (2) the question is an important one of federal law which has not been, but should be, settled by this Court; and (3) the interests of patent litigants and those in the business community represented by our members would be directly and adversely affected if the Federal Circuit decision were allowed to stand.

### QUESTION PRESENTED

After an accused patent infringer has obtained from the district court a declaratory judgment that the asserted patent is invalid, may the Federal Circuit vacate that declaration as moot solely because it has determined that the patent has not been infringed?

### SUMMARY OF ARGUMENT

The Federal Circuit routinely vacates declaratory judgments of patent invalidity whenever it has found that there is no infringement. That practice eviscerates the alleged infringer's remedy under the Declaratory Judgment Act, violates the public policy in favor of invalidating wrongfully-issued patents, and wastes the resources of litigants and the courts. Moreover, that practice finds no support in the mootness doctrine relied upon by the Federal Circuit as the basis for its practice. The practice presents a significant question of federal law, particularly because the Federal Circuit has



exclusive jurisdiction over appeals in patent cases and has now definitely decided not to reconsider its practice.

## ARGUMENT

### I. THE QUESTION PRESENTED SHOULD BE SETTLED BY THIS COURT

#### A. The Federal Circuit's Practice Has Evolved Into A Per Se Rule

Soon after the Federal Circuit was given exclusive subject matter jurisdiction over patent appeals in 1982, it began to review declaratory judgments of patent invalidity. The Federal Circuit's initial practice was almost uniform; it reviewed declaratory judgments of invalidity even after deciding that there was no infringement. *See, e.g., Mannesmann Demag Corp. v. Engineered Metal Products Co.*, 793 F.2d 1279 (Fed. Cir. 1986).

On June 16, 1987, the Federal Circuit issued two decisions that dramatically altered its practice. Those decisions held that when an accused infringer has obtained a declaratory judgment of invalidity, the Federal Circuit's determination of non-infringement requires that the declaratory judgment of invalidity be vacated. *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517 (Fed. Cir. 1987) (invalidity is "moot"); *Fonar Corp. v. Johnson*

*& Johnson*, 821 F.2d 627, 634 (Fed. Cir. 1987) (no "case or controversy" as to invalidity), *cert. denied*, 484 U.S. 1027 (1988).

Since then, the Federal Circuit has routinely vacated declaratory judgments of invalidity upon determining non-infringement. *See, e.g., Sun-Tek Industries, Inc. v. Kennedy Sky Lites, Inc.*, 848 F.2d 179, 183 (Fed. Cir. 1988) (validity issue "moot"), *cert. denied*, 109 S. Ct. 793 (1989); *Perini America, Inc. v. Paper Converting Machine Co.*, 832 F.2d 581, 584 n.1 (Fed. Cir. 1987) (validity issue "moot"). As recognized by Chief Judge Nies, the Federal Circuit's practice of vacating declaratory judgments of invalidity has evolved into a *per se* rule. *See Denial of Suggestion for In Banc Consideration* at 8 (Nies, C.J., dissenting).

#### B. This Case Demonstrates Why This Court Should Eliminate The Federal Circuit's Practice

The present respondent, Morton International, Inc., simultaneously pursued three patent infringement actions on its two patents. In the first to proceed to trial, the district court for the Eastern District of Louisiana held Morton's patents invalid and found them not infringed after an eight-day bench trial. The Federal Circuit affirmed the non-infringement finding and vacated the district court's judgment of invalidity. *Morton Thiokol*,

*Inc. v. Argus Chemical Corp.*, 873 F.2d 1451 (Fed. Cir. April 3, 1989) (unpublished).

In the second action to be tried, the district court for the District of South Carolina held the patents invalid and found them not infringed after a five-day bench trial. Once again, the Federal Circuit affirmed the non-infringement finding and vacated the judgment of invalidity. *Morton Int'l, Inc. v. Cardinal Chemical Co.*, 959 F.2d 948 (Fed. Cir. 1992). One judge wrote separately to state his disagreement with the vacatur. *Id.* at 952 (Lourie, J., concurring).

Both Morton and Petitioners sought reconsideration and rehearing in banc on the panel's vacatur, without review, of the invalidity judgment. The Federal Circuit denied both petitions for rehearing in banc, with three judges dissenting. As Chief Judge Nies concluded in her dissenting opinion from the denial of rehearing in banc: "The parties can now look only to the Supreme Court for correction."

But more than the parties are looking to this Court for correction. Morton is asserting its twice-resurrected patents in the third action, which has been stayed pending this Court's disposition of the present petition. *Morton Int'l, Inc. v. Atochem North America, Inc.*, No. 87-60-CMW (D. Del.). The third defendant, like

Tantalus, may have to seek the elusive goal of patent invalidity. Because the Federal Circuit will not review its practice, only this Court can restore to accused infringers the right to invalidate a patent.

## II. THE QUESTION PRESENTED IS AN IMPORTANT QUESTION OF FEDERAL LAW

### A. The Federal Circuit's Practice Eviscerates The Declaratory Judgment Act

Congress enacted the Declaratory Judgment Act ("the Act") to provide a remedy to persons seeking a declaration of their rights in cases of actual controversy. 28 U.S.C. § 2201. No longer would these persons have to act at their peril or abandon their rights for fear of incurring damages. S. Rep. No. 1005, 73rd Cong., 2d. Sess.2 (1934). The Act greatly affected patent litigation by giving alleged infringers an opportunity to adjudicate the invalidity of asserted patents. As a result, the Act curbed patentees' notoriously-abusive practice of threatening competitors with patent infringement litigation. See *Arrowhead Industrial Water, Inc. v. Ecolchem, Inc.*, 846 F.2d 731, 734-35 (Fed. Cir. 1988); E. Borchard, *Declaratory Judgments* 802-04 (2d ed. 1941).

Soon after passage of the Act, an issue arose as to whether an alleged infringer could obtain a declaratory

judgment of patent invalidity even though the court had ruled that it did not infringe. In his definitive work on declaratory judgments, Professor Borchard, a drafter of the Act, expressed the prevailing view:

Having been forced into court by the patentee who necessarily relied on the validity of his patent, [the accused infringer] ought to be permitted to obtain an adjudication on the fundamental issue of validity -- important for his present and any other products which approximate the patented device -- and not be confined compulsorily and exclusively to the narrow question whether his present product infringes, regardless of his desire and demand that the patent be held invalid.

E. Borchard, *supra*, at 815. The lower courts have often followed Professor Borchard's view. See, e.g., *Dale Electronics, Inc. v. R.C.I. Electronics, Inc.*, 488 F.2d 382, 390 (1st Cir. 1973).

The Federal Circuit's practice of routinely vacating declaratory judgments of invalidity whenever the patentee has failed to prove infringement denies the alleged infringer the remedy of invalidating the patent unless that alleged infringer has first been adjudged to be an infringer. Moreover, this practice allow a patentee stripped of its patent by a declaratory judgment of invalidity to regain its patent by losing the appeal of the non-infringement ruling.

The result of Morton's twice having lost the infringement issue on appeal is that its patents have been twice resurrected. Those two resurrections, which have allowed Morton to continue to pursue a third alleged infringer, demonstrate how the Federal Circuit's practice has eviscerated the Declaratory Judgment Act.

#### **B. The Federal Circuit's Practice Violates Public Policy**

Wrongfully-issued patents may hinder free competition in technologies which rightfully ought to be in the public domain. See, e.g., *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). To avoid this restriction, this Court has repeatedly recognized the public importance of invalidating wrongfully-issued patents. E.g., *Pope Manufacturing Co. v. Gormully*, 144 U.S. 224, 234 (1892). Indeed, this Court has noted that, as between patent validity and infringement, "validity has the greater public importance." *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 330 (1945). By routinely vacating judgments declaring patents invalid without examining the judgments on the merits, the Federal Circuit routinely resurrects "invalid" patents, which may hinder what rightfully should be free competition.



It is a well-acknowledged fact that "patent litigation is a very costly process."<sup>1</sup> *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 334 (1971). The vacatur of a patent invalidity judgment gives the patentee an opportunity to waste the resources of competitors and the courts in subsequent litigation. But the practice is no boon to the patentee whose appeal of the invalidity judgment fell on deaf ears. The resurrected patent is in a state of limbo: declared invalid by the district court but resurrected by the appellate court without a ruling on the merits. Thus, the Federal Circuit's practice wastes the money and time spent by litigants on both sides and by district courts in adjudicating actions for declaratory judgment on the validity of patents.

A patentee's right to reassert the resurrected patent not only risks multiplying this waste in subsequent litigation, but may convince a third-party competitor not to sell products covered by the invalid patent, or may convince an alleged infringer to pay royalties under the

<sup>1</sup> Petitioners claim to have spent over \$1 million litigating the case through trial. The median cost of patent litigation through trial for the entire country is almost \$400,000. American Intellectual Property Law Association, *Report of Economic Survey 1991* 29 (1991).

invalid patent rather than challenge the patent's validity.<sup>2</sup> For this very reason, this Court held in *Blonder-Tongue* that a patentee is estopped to assert a patent once held invalid. 402 U.S. at 338.

The Federal Circuit's practice violates the policy of invalidating wrongfully-issued patents and wastes the resources of litigants, district courts and the public. These effects alone demonstrate that the Federal Circuit's practice should be overruled.

### III. THE FEDERAL CIRCUIT'S PRACTICE CONFLICTS WITH APPLICABLE DECISIONS OF THIS COURT

#### A. The Federal Circuit's Practice Conflicts With This Court's *Altwater* Decision

This Court considered the application of the Declaratory Judgment Act to patent litigation in *Altwater v. Freeman*, 319 U.S. 359 (1943). In *Altwater*, the respondent sued for specific performance of a patent license agreement. Petitioners filed a counterclaim praying for, *inter alia*, a declaratory judgment of patent

<sup>2</sup> A final judgment of invalidity would free any existing licensees from the royalty obligation. *Troxel Mfg. Co. v. Schwinn Bicycle Co.*, 465 F.2d 1253, 1255 (6th Cir. 1972). The Federal Circuit's practice keeps licensees under the yoke of patent license royalties until an adjudged infringer invalidates the patent.

invalidity. The district court held that the petitioners were not infringing, were therefore not breaching the license, and that the patents were invalid. Accordingly, the district court dismissed the complaint and granted the prayer of the counterclaim. The court of appeals affirmed but, on a petition for rehearing, ruled that there was no longer a justiciable controversy between the parties when it found no infringement, and thus vacated the invalidity judgment.

This Court granted certiorari because of the apparent misinterpretation by the appellate court of this Court's decision in *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U.S. 241 (1939), and ruled that:

[*Electrical Fittings*] was tried only on bill and answer. The District Court adjudged a claim of a patent valid, although it dismissed the bill for failure to prove infringement. We held that the finding of validity was immaterial to the disposition of the cause and that the winning party might appeal to obtain a reformation of the decree. To hold a patent valid if it is not infringed is to decide a hypothetical case. But the situation in the present case is quite different. *We have here not only bill and answer but a counterclaim. Though the decision of non-infringement disposes of the bill and answer, it does not dispose of the counterclaim which raises the question of validity.*

319 U.S. at 363 (emphasis added; footnote and citations omitted).

*Altwater* recognized a significant difference between an alleged infringer's right to a declaratory judgment of invalidity, as involved in *Altwater*, and a mere defense of invalidity, as involved in *Electrical Fittings*. Accordingly, this Court held that a declaratory judgment of patent invalidity may not be summarily vacated as moot *solely* because of a non-infringement finding.

Apparently, the Federal Circuit now interprets this Court's *Altwater* decision as holding that the controversy that precluded vacating the declaratory judgment of invalidity depended upon the presence of either claims or devices in addition to those involved in the non-infringement finding. See *Fonar*, 821 F.2d at 634 n.2; *Vieau*, 823 F.2d at 1518 (Bennett, J., concurring). This Court in *Altwater* merely stated, however, that "the issues raised by the present counterclaim were justiciable and that the controversy between the parties did not come to an end on the dismissal of the bill for non-infringement, since their dispute went beyond the single claim and the particular accused devices involved in that suit." 319 U.S. at 363-64 (citation omitted). The Federal Circuit's interpretation of *Altwater* is incorrect, and the practice it

derives from that interpretation conflicts with this Court's holding in *Altwater*.<sup>3</sup>

#### **B. The Federal Circuit's Practice Finds No Support In The Mootness Doctrine**

Federal Circuit cases have attributed the practice to "jurisdictional mootness." That is, the court believes that the determination of non-infringement ends the controversy over validity. Of course, a controversy must be extant at all stages of appellate review, *Prieser v. Newkirk*, 422 U.S. 395, 401 (1975), including at "the time the federal court decides the case," *Burke v. Barnes*, 479 U.S. 361, 363 (1987). But, at the time the Federal Circuit decided the appeal in the present case, there was a controversy, one that continues today, and will continue, at the very least, until there is a final, nonappealable judgment of either non-infringement or invalidity. The Federal Circuit has confused a "judgment in favor of a party at an intermediate stage of litigation" with "the definitive mootness of a case or controversy which ousts the jurisdiction of the federal courts and requires dismissal of the case." *Deposit Guaranty*

<sup>3</sup> Since *Vieau* and *Fonar*, the Federal Circuit has not, in a single reported case, decided the validity issue after finding no infringement. Indeed, as in the present case, the Federal Circuit no longer even considers whether other claims or devices exist, or whether there is any other circumstance which would provide a basis for a continuing controversy.

*National Bank v. Roper*, 445 U.S. 326, 335 (1980). Because the Federal Circuit is not the court of last resort, its determination of non-infringement cannot moot the claim for a declaratory judgment of patent invalidity. *Morton*, 959 F.2d 953 (Lourie, J., concurring).

Prudential concerns, such as judicial economy, may lead a court to decide only a dispositive issue and decline to decide another equally dispositive issue. This "prudential mootness" does not, however, justify the Federal Circuit's rote treatment of the invalidity judgment as moot merely because it has found the patent not infringed. Non-infringement is not a defense to, and thus cannot dispose of a claim for, a judgment of invalidity.

Even were non-infringement dispositive of a claim for a declaratory judgment of invalidity, however, public policy would require the Federal Circuit to review that judgment on its merits. See Part IIB. Indeed, this Court has admonished the lower courts to follow the "better practice" of inquiring fully into patent validity, whether or not the court has found infringement. *Sinclair*, 325 U.S. at 330. The Federal Circuit has repeated this admonition to the district courts. See, e.g., *Stratoflex v. Aeroquip Corp.*, 713 F.2d 1530, 1540-41 (Fed. Cir. 1983). This Court should take this opportunity to instruct the

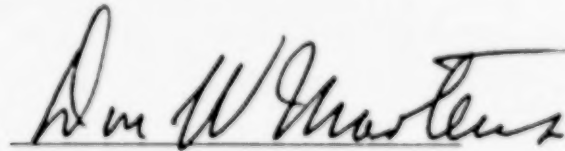


Federal Circuit of its duty to review the invalidity issue, at least in cases where it arises in the form of a declaratory judgment.

### CONCLUSION

This Court should grant Petitioners' request for a writ of certiorari to review the Federal Circuit's practice of routinely vacating declaratory judgments of invalidity upon finding no infringement.

Respectfully submitted,

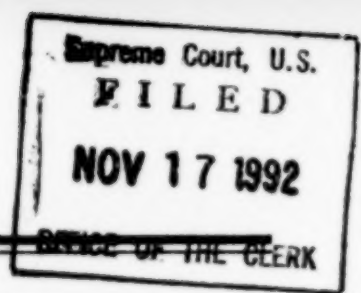


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10  
No. 92-114



IN THE  
**Supreme Court of the United States**  
OCTOBER TERM, 1992

CARDINAL CHEMICAL COMPANY, a partnership,  
W.M. QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM,  
and W.M. QUATTLEBAUM, III, individuals,  
CARDINAL MANUFACTURING Co., and  
CARDINAL STABILIZERS, INC.,  
*Petitioners,*

v.

MORTON INTERNATIONAL, INC.,  
*Respondent.*

On Writ Of Certiorari To The United States  
Court Of Appeals For The Federal Circuit

JOINT APPENDIX

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PETITION FOR CERTIORARI FILED JULY 16, 1992  
CERTIORARI GRANTED OCTOBER 5, 1992

6074

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RELEVANT DOCKET ENTRIES FOR CARDINAL  
CHEMICAL COMPANY ET AL. v. MORTON  
INTERNATIONAL, INC.  
SUPREME COURT DOCKET NO. 92-114

(DOCKET ENTRIES IN THE UNITED STATES DISTRICT  
COURT FOR THE DISTRICT OF SOUTH CAROLINA,  
GREENVILLE DIVISION)

<u>Date</u>	<u>No.</u>	<u>Proceeding</u>
5/23/83	11	DEFENDANTS' ANSWER AND COUNTERCLAIMS
6/22/88	163	JUDGMENT AND ORDER (MORTON THIOKOL, INC. v. WITCO CHEMICAL CORP. AND ARGUS CHEMICAL CORP.)
7/28/88	163	CORRECTED JUDGMENT (MORTON THIOKOL, INC. v. WITCO CHEMICAL CORP. AND ARGUS CHEMICAL CORP.)
4/03/89	163	DECISION FROM THE COURT OF APPEALS, FEDERAL CIRCUIT (MORTON THIOKOL, INC. v. ARGUS CHEMICAL CORP.)
4/16/90	159	ANSWER AND COUNTERCLAIMS OF DOROTHY QUATTLEBAUM, W.M. QUATTLEBAUM, III, CARDINAL MANUFACTURING AND CARDINAL STABILIZERS TO PLAINTIFF'S AMENDED COMPLAINT
6/20/90	NOT GIVEN	PORTION OF THE JUNE 20, 1990 HEARING TRANSCRIPT

**NOTICE OF LOCATION OF LOWER COURT OPINIONS  
AND ORDERS NOT REPRINTED IN THE JOINT  
APPENDIX**

The following opinions and orders have been omitted in the printing of this joint appendix because they are found on the following pages in the appendix to the printed Petition for Certiorari:

Opinion of the Court of Appeals for the Federal Circuit (March 20, 1992) (959 F.2d 948) .....	1a
Opinion of Chief Judge Nies Dissenting From the Orders Declining Suggestions For Rehearing in Banc (June 24, 1992) (967 F.2d 1571) .....	16a
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**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF SOUTH CAROLINA  
COLUMBIA DIVISION**

Civil Action No. 83-889-0

(Perry, J.)

CARSTAB CORPORATION,

Plaintiff

v.

CARDINAL CHEMICAL COMPANY,  
a Partnership, and  
W.M. QUATTLEBAUM, JR., an Individual,  
Defendants.

**DEFENDANTS' ANSWER AND COUNTERCLAIMS**

Defendants answer plaintiff's Complaint as follows:

1. Answering Paragraph 1 of the Complaint, defendants admit that plaintiff has a place of business at West Street, Reading, Ohio 45215; and is without information sufficient to form a belief as to the truth of the remaining allegations therein and therefore denies the same and leave plaintiff to its proofs.

2. Defendants admit the allegations contained in Paragraph 2 of the Complaint.

3. Defendants admit the allegations contained in Paragraph 3 of the Complaint.

4. Defendants admit the allegations contained in Paragraph 4 of the Complaint.

5. Defendants admit that United States Letters Patent No. 4,062,881 is entitled "Sulfide Containing Tin Stabilizers", that it issued December 13, 1977 showing Thomas

G. Kugle as the inventor and that the patent shows the assignee to be Cincinnati Milacron Chemicals, Inc. Defendants are without information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 5 of the Complaint and therefore deny the same and leave plaintiff to its proofs.

6. Defendants admit that United States Letters Patent No. 4,120,845 is entitled "Sulfide Containing Tin Stabilizers", that it issued October 17, 1978 showing Thomas G. Kugle as the inventor and that the patent shows the assignee to be Cincinnati Milacron Chemicals, Inc. Defendants are without information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 6 of the Complaint and therefore deny the same and leave plaintiff to its proofs.

7. Defendants deny the allegations contained in Paragraph 7 of the Complaint.

8. Defendants deny the allegations contained in Paragraph 8 of the Complaint.

9. Defendants deny the allegations contained in Paragraph 9 of the Complaint.

10. Defendants deny the allegations contained in Paragraph 10 of the Complaint.

11. Defendants admit they became aware of United States Letters Patent Nos. 4,062,881 and 4,120,845 when so informed of them by the assignee of such patents but deny the remaining allegations contained in Paragraph 11 of the Complaint.

12. Defendants deny the allegations contained in Paragraph 12 of the Complaint.

AS FURTHER, SEPARATE AND AFFIRMATIVE DEFENSES TO THE COMPLAINT, DEFENDANTS ALLEGE:

13. Plaintiff's patents in suit fail to comply with the provisions of 35 USC §101 in that they do not define any

new and useful process, machine, manufacture or composition of matter, or any new and useful improvement thereof.

14. The patent in suit is invalid in that it fails to comply with 35 U.S.C. Section 102, since:

(A) The alleged invention was known and used by others in this country, and described in printed publications in this or foreign countries before the alleged invention by the applicants for the patent in suit.

(B) The alleged invention was described in printed publications in this or a foreign country and was in public use or on sale in this country more than one year prior to the date of the application for patent in suit.

(C) The alleged invention was described in patents granted on patent applications filed by others in the United States before the alleged invention thereof by the applicants for the patent in suit.

(D) The applicants for the patent in suit did not invent the subject matter claimed in the patent in suit.

(E) Before the alleged invention of the subject matter claimed in the patent in suit by the applicants for such patent, the alleged invention was made by others who had not abandoned, suppressed or concealed it.

15. The patents in suit are invalid under 35 USC §103 since, to the extent that the subject matter defined in the claims of the patents in suit may be held to be not identically disclosed or described as set forth in the prior art, any differences between said subject matter and the prior art are such that the subject matter would have been obvious at the time the alleged invention was made to those having ordinary skill in the art to which the subject matter of the patents pertain.

16. The patents in suit are invalid because of failure to disclose and claim the alleged invention in the manner required by 35 USC §112.



17. Plaintiff is barred from the relief requested in its Complaint by reason of laches and estoppel for having unreasonably and inexcusably delayed in filing this law suit following the time plaintiff learned of defendants' allegedly infringing activities, resulting in material prejudice to defendants.

#### COUNTERCLAIMS

18. In its Complaint, plaintiff, Carstab Corporation, alleges that it is a corporation organized and existing under the laws of the State of Delaware having its principal place of business at West Street, Reading, Ohio 45215.

19. Defendant, W.M. QUATTLEBAUM, JR., resides within this district at 5727 Lake Shore Drive, Columbia, South Carolina 29206, and is the managing partner of the defendant, CARDINAL CHEMICAL COMPANY.

20. Defendant, CARDINAL CHEMICAL COMPANY, is a partnership existing and operating under the laws of the State of South Carolina and has a regular and established place of business in this district at 2010 S. Beltline Boulevard, Columbia, South Carolina 29201. In addition to the defendant, W.M. QUATTLEBAUM, JR., the partners in Defendant, CARDINAL CHEMICAL COMPANY, are, DOROTHY C. QUATTLEBAUM, W.M. QUATTLEBAUM III, ROSEMARY Q. SANFORD and DOROTHY E. PIRON.

21. Jurisdiction of this counterclaim arises under the Federal Declaratory Judgment Act, 28 USC §2201 and §2202 and under the patent laws of the United States, 35 USC §101, §102, §103 and §112 and 28 USC §1338.

22. This counterclaim arises from an actual and justifiable controversy between plaintiff and defendants as to alleged infringement of the claims of United States Letters Patent Nos. 4,062,881 and 4,120,845 which plaintiff claims it owns. Specifically, plaintiff has charged defendants with infringement of these patents.

23. Defendants assert that plaintiff's United States Letters Patent Nos. 4,062,881 and 4,120,845 are not infringed by defendants and that no act of defendants is in any way a violation of said patents.

24. Defendants assert that plaintiff's United States Letters Patent Nos. 4,062,881 and 4,120,845 are invalid for the reasons more fully set forth in Paragraphs 13, 14, 15 and 16 of the affirmative defenses set forth hereinabove, which paragraphs are hereby incorporated by reference with the same force and effect as if the allegations thereof had been set forth in full herein.

**PRAYER**

WHEREFORE, Defendants' pray the entry of a judgment providing:

1. That United States Letters Patent Nos. 4,062,881 and 4,120,845 are not infringed and have not been infringed by any acts committed by defendants.
2. That United States Letters Patent Nos. 4,062,881 and 4,120,845 are invalid.
3. For a judgment of costs, disbursements and reasonable attorneys' fees incurred by defendants herein.
4. For such other and further relief as may be just and proper.

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Dated: May 23, 1983

[Certificate of Service Omitted In Printing]

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF LOUISIANA**

**CIVIL ACTION  
NO. 84-5685  
SECTION "D" (5)**

MORTON THIOKOL, INC.

VERSUS

WITCO CHEMICAL CORPORATION, ET AL

**DATE OF ENTRY  
JUN 22 1988**

**JUDGMENT**

For reasons set forth in the court's Order dated June 22, 1988;

JUDGMENT IS HEREBY RENDERED in favor of the Defendant, Argus Chemical Corporation, and against the Plaintiff, Morton Thiokol, Inc., dismissing Plaintiff's claim for patent infringement with prejudice and at its costs.

JUDGMENT IS FURTHER RENDERED in favor of Argus Chemical Corporation as Counter-Claimant and against Morton Thiokol, Inc. as Counter-Defendant declaring the patents described in United States Letters Patent No. 4,062,881 and No. 4,120,845 invalid, void and unenforceable.

New Orleans, Louisiana, this 22nd day of June, 1988.

/s/ A. J. McNamara  
UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF LOUISIANA

CIVIL ACTION  
NO. 84-5685  
SECTION "D" (5)

MORTON THIOKOL, INC.  
VERSUS  
WITCO-CHEMICAL CORPORATION, ET AL

DATE OF ENTRY  
JUN 22 1988

ORDER

Morton Thiokol, Inc., Plaintiff herein, brings this action for infringement of United States Letters Patent No. 4,062,881 (Kugele '881 patent) and 4,120,845 (Kugele '845 patent). Because the Carstab Products Group of Morton Thiokol, Inc., which evolved from the Carlisle Chemical Company and Cincinnati Milacron Chemicals, Inc., develops, manufactures and sells heat stabilizers which are claimed to be protected by the patents at issue herein, Plaintiff will hereafter be referred to as "Carstab." Carstab contends that these patents are valid, enforceable and have been infringed by Defendant, Argus Chemical Corporation ("Argus"). Argus defends denying infringement and further asserts that the patents in question are invalid, void and unenforceable and by counterclaim seeks a declaratory judgment so holding. Finally, Argus urges the Complaint should be dismissed by the Doctrine of Laches

arguing that Plaintiff's delay in bringing this litigation was both unreasonable and inexcusable. After considering the testimony of the witnesses, the documentary evidence and the applicable law and for reasons set forth below, the court finds the evidence is clear and convincing that the patents in question are invalid and further that Plaintiff has failed to prove by a preponderance of the evidence any infringement by the Defendant.

To the extent any Findings of Fact are deemed to be Conclusions of Law, they should be so considered and to the extent any Conclusions of Law are deemed to be Findings of Fact, they too should be so considered.

I. BACKGROUND

Polyvinyl Chloride (PVC), a polymer used in the manufacture of various products, requires the use of an additive to protect the PVC from decomposition. These additives are known as heat stabilizers. These heat stabilizers also prevent other degradation such as discoloration and loss of strength. Organotin compounds are one type of heat stabilizer for PVC. The development of these organotin stabilizers began in the early 1950's when it was discovered that the introduction of organotin mercaptide stabilizer products, wherein tin was bonded directly to a sulfur atom, resulted in a stabilizer with superior performance in certain applications over stabilizers then existing. This discovery resulted in a flurry of work aimed toward incorporating derivatives of available mercaptan starting materials to tin. Organotin stabilizers containing mercaptoethanol carboxylic acid esters were particularly effective but had a strong unpleasant odor. Because most PVC processing at that time utilized single screw extruders which required stabilizers to comprise as much as two percent of the extruded material, the extremely undesirable odor caused by using organotin stabilizers containing mercaptoethanol derivatives was particularly undesirable from a processing viewpoint. Accordingly, in the early 1960's the



stabilizer industry was looking for other types of organotin stabilizers. Organotin stabilizers including thioglycolic acid derivatives instead of mercaptoethanol derivatives were developed which were effective and did not have the foul odor to the extent of the stabilizers utilizing mercaptoethanol derivatives. Additionally, work was progressing to develop organotin stabilizers containing inorganic sulfur substituents. Later work involved blends using different organotin stabilizers as admixtures. All of this development activity was to a large extent prompted by the undesirable odor with the organotin stabilizers containing mercaptoethanol derivatives, the relatively high (up to two percent) percentage of stabilizer required with single screw extruders and the lack of availability of mercaptoethanol as a starting material in adequate commercial quantities. In the late 1960's and early 1970's the technology in the plastic manufacturing industry advanced and single screw extruders were displaced by multi-screw extruders which resulted in effective organotin stabilizers with a substantially reduced amount of stabilizer. Additionally, ventilation systems were improved and mercaptoethanol was then available in commercial quantities. These developments caused the emphasis on the development of organotin stabilizers to again shift to those utilizing mercaptoethanol derivatives.

## II. SCOPE OF THE KUGELE PATENTS

Only claims 1 and 4 of the Kugele '881 patent are in issue in this litigation.

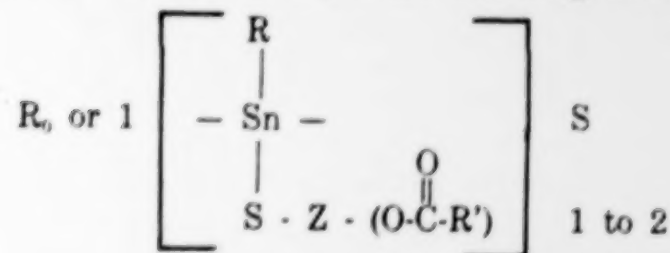
- A. The Kugele '881 patent is directed to *compounds* which are represented as being useful as stabilizers for polyvinyl chloride and other halogen containing polymers.
- B. The '881 patent is directed to organotin compounds which are defined in claim 1 thereof as follows:
  1. A monorganotin or diorganotin mercaptoalkyl ester of a carboxylic acid or mercapto hydroxy-

alkyl ester of a carboxylic acid mono or polysulfide useful as a stabilizer for improving the resistance to deterioration of vinyl chloride polymers when heated at 350 F, containing at least one tin atom having one to two hydrocarbyl groups having from 1 to 20 carbon atoms and selected from the group consisting of alkyl, aryl, cycloalkyl, aralkyl and alkenyl and linked to the tin through carbon, at least one mercaptoalkyl ester of a carboxylic acid group linked to tin through the sulfur of the mercaptoalkyl group and at least one mono or polysulfide sulfur group bonded exclusively to tin, the organotin compound having an amount of tin within the range from 10 to 42% by weight and an amount of sulfur within the range from 8 to 42% by weight.

- C. Thus in substance, claim 1 of the '881 patent is directed to a *compound*, useful as a PVC stabilizer, having three types of chemical groups linked to a common tin atom; the chemical groups are specifically denoted to be:
  - (a) One or two hydrocarbyl groups (i.e. methyl or butyl);
  - (b) At least one mercaptoalkyl ester of a carboxylic acid (an ester of a mercaptoalcohol—a reverse ester);
  - (c) At least one mono- or poly-sulfide sulfur bonded exclusively to tin;
 said *compound* having an amount of tin ranging from 10 to 42% by weight and an amount of sulfur ranging from 8 to 42% by weight.
- D. The Kugele '845 patent is directed to *compositions containing the compound* of the '881 patent and, only claims 1 and 11 of that patent are in issue in this litigation.
- E. Neither the Kugele '881 or '845 patent is limited to the use of these stabilizer *compounds* in any particular

type of polyvinyl chloride resin. For example, the Kugele '881 and '845 patents each specify that these Kugele compounds can be used in PVC formulations which include a plasticizer in conventional amounts ranging from 10 to 150 parts plasticizer per 100 parts of PVC polymer. As such, the Kugele specifically contemplate their use in non-rigid or flexible PVC formulations such as, for example, shower curtains which would have approximately 50 parts of plasticizer per 100 parts of PVC resin and fish lures which would typically contain approximately 150 parts of plasticizer per 100 parts of PVC resin.

- F. There is nothing in either of the Kugele '881 or the Kugele '845 patents that indicates that the postulated compounds covered by the asserted claims thereof are intended for use in rigid PVC applications only.
- G. The Kugele patents specifically indicate that the compounds thereof can have the following formula:



### III. FINDINGS OF FACT

#### A. The Kugele '881 And '845 Patents Are Invalid Under 35 U.S.C. § 112

1. There is no evidence that the '881 patent teaches one how to make the compounds claimed in the '881 patent.

#### B. The '881 and '845 Patent Specifications Do Not Teach One Skilled In The Art How To Make And Use The Compounds Claimed Therein Without Undue Experimentation

2. The specifications of the '881 and '845 patent are virtually identical.

3. All of the examples of the '881 and '845 patents are written as working examples; that is written to represent work that has actually been performed in the manner specifically stated within each example.

4. In actuality none of the examples as written and represented in the specification of the '881 and '845 patent were ever performed.

5. In spite of the availability of analytical tests, Dr. Kugele "didn't see the need to do much of anything" to confirm that the product he was getting comprised the compounds claimed in the '881 patent.

6. Carstab has, apparently, never looked at a single one of its own examples to investigate what the products of such examples are.

7. The '881 patent alleges to teach the formation of postulated compounds as claimed in that patent but even with the aid of sophisticated analytical instrumentation and the use of model systems directed to attempt to provide the compounds claimed in the '881 patent, there is no evidence that such a compound exists.

8. Argus has prepared many of the examples of the '881 patent and investigated what the products of those examples really are.

9. Examples 20, 31, 32 and 34 are representative of examples of the '881 patent alleging to make pure Kugele compounds yet in actuality they yield something quite different.

10. The examples of the '881 patent, alleged to teach preparation of a product containing only the compounds claimed in the '881 patent, when analyzed are found to yield complex mixtures containing known organotin heat stabilizers.

11. Since the products of the examples of the '881 patent as well as the accused commercial stabilizer products



contain a mixture of known organotin stabilizer components and since no one has ever made, isolated or identified a compound as claimed in the '881 patent there is no evidence that such compounds have any stabilizing action.

12. Carstab, after the issuance of the '881 patent attempted to devise and carry out various syntheses not disclosed in the '881 patent aimed at producing pure compounds as claimed in the '881 patent. Such syntheses included attempts to make compounds as claimed in the '881 patent with a great deal of steric hinderance as well as attempts to make such compounds at low temperatures. All attempts were unsuccessful.

13. Carstab's organotin expert, Prof. Seyferth indicated that in order to make one of the claimed compounds stable you would have to build in special steric or electronic factors.

14. According to Prof. Seyferth the only hope for isolating the Kugele compound is to build in very specific structural or electronic factors which no one has done.

15. Neither Prof. Seyferth nor anyone under his direction has done any experimentation whatsoever with regard to the present litigation.

16. Nor has Carstab's other organotin expert Prof. Zuckermann ever done or been asked to do any work with respect to the analysis of Argus' accused organotin stabilizers.

17. On the other hand, Argus' organotin expert, Prof. Holmes, was asked to, and did, do experiments directed to attempts to make compounds claimed in the '881 patent. All such attempts were also unsuccessful.

### C. The Structural Language In The Claims Of The '881 Is Too Vague To Satisfy The Definiteness Requirement of § 112

18. The term "connectivity" as applied to a compound means how the atoms of a compound are arranged with relation to one another, i.e. how the atoms are connected by chemical bonds.

19. Each of the claims of the '881 and '845 patents define compounds containing a specific connectivity which, in pertinent part, consists of a partial molecular connectivity of tin-sulfur-tin reverse ester mercaptide (i.e. Sn-S-Sn-reverse ester mercaptide).

20. None of the claims of the '881 patent contain any process information nor do the claims of the '845 patent contain any process information directed to obtaining the claimed connectivity.

21. Even today, let alone in 1974 when the application which matured into the '881 patent was filed, wet chemical analyses commonly employed by those skilled in the art such as analyses directed to determining percent tin, percent total sulfur, equivalent sulfide, percent mono alkyltin, percent stabilizer, etc., are not capable of identifying the tin-sulfur-tin mercaptide partial connectivity at issue compared to a mixture of alkyltin sulfides without any mercaptide attached to the tin and, accordingly, cannot enable one skilled in the art to determine if the claimed connectivity is present.

22. Similarly instrumental analyses available in 1974 as well as today such as infrared spectroscopy and Carbon and Proton nuclear magnetic resonance spectroscopy *cannot* enable one skilled in the art to distinguish between a product containing tin-sulfur-tin mercaptide partial connectivities and a mixture of alkyltin sulfides and alkyl tin mercaptides.



23. Liquid chromatography techniques available at the time of the filing the application which matured into the '881 patent would not have enabled one skilled in the art to identify the claimed connectivity, but if such techniques had been applied at such time to samples believed by Carstab to contain the compounds claimed in the '881 patent one skilled in art would have observed that the sample contained a mixture of alkyltin mercaptides and alkyl tin sulfides.

24. Nuclear magnetic resonance instruments capable of recording Tin-119 nuclear magnetic resonance spectra were available in 1974 when the patent was applied for.

25. If samples of products believed by Carstab to contain compounds claimed in the '881 patent such as products of the examples of the '881 patent had been analyzed by the available Tin-119 NMR spectroscopy in 1974 it would have been determined that such samples yield complex mixtures and not the compounds postulated in the '881 patent.

26. Even today, after exhaustive investigations with state of the art analytical instruments, including high resolution Tin NMR instruments not available when the patent was applied for or issued, of "simple" model systems designed to theoretically provide compounds containing the connectivity claimed in the '881 patent, there is debate as to whether the claimed connectivity actually exists.

27. In short, one skilled in the art making an organotin reverse ester sulfide product could have no way of ascertaining whether such products contain the claimed connectivity or not. Indeed, prior to January, 1978, Plaintiff had analyzed its own reverse ester sulfide containing organotin stabilizer products and, even with the full knowledge of the processes by which such products were made, Plaintiff was unable to reach a conclusion as to the structural make-up of those products and, more particularly,

whether compounds as claimed in the '881 patent were or were not present in such products.

**D. The Claimed Ranges For Tin And Sulfur Are Too Vague To Satisfy the Definiteness Requirement of § 112**

28. Before one skilled in the art can calculate the percent tin and percent sulfur for a molecule one needs to know the molecular mass of that molecule, and no one has ever been able to identify a molecule claimed in the '881 patent.

29. Tin analysis and sulfur analysis of complex mixtures of compounds cannot tell the percent tin or sulfur of a single component of the complex mixture.

30. Even assuming you have the proper connectivity, the NMR experiment, neither alone nor in conjunction with all of the testing that has been carried out, can tell you what else is on the molecule.

31. Any attempt to calculate percent tin and percent sulfur for a postulated molecule containing the tin-sulfur-tin mercaptide connectivity at issue is just an intellectual exercise and such intellectual exercises can postulate compounds containing the tin-sulfur-tin mercaptide connectivity which have tin percentages within the claimed percentages as well as tin percentages outside the claimed percentages.

**E. The Claims Of The '881 and '845 Patents As Drafted Require Undue Experimentation To Determine Whether A Product Infringes Such Claims**

32. No reference data is available for identification of specific compounds as claimed in the '881 patent.

33. When Carstab began its Tin-119 nuclear magnetic studies there was very little reference information reported in the literature.

34. Analytical investigations to ascertain if infringement is present not only require sophisticated modern day state of the art analytical instrumentation but also require expensive specialty chemicals. Prof. Levy indicated that he was not sure there would have been sufficient NMR evidence to indicate there was even a mercaptide attached to tin without the use of isotopically labeled Carbon-13.

35. Further, Prof. Levy did not receive his first 500 MHz nuclear magnetic resonance instrument, which provided the basic tool for his NMR investigation, until 1985, and the first isotopically enriched investigation wasn't initiated until the winter of 1985 and that work wasn't reproducible.

36. There has been a vast amount of testing and analysis conducted over the last ten years to try to ascertain whether compounds as claimed in the '881 patent exist and the result of such extraordinary testing is still inconclusive.

37. Even with a ten-year head start, Carstab ran out of time to do necessary additional experiments relative to its infringement investigation.

38. Before a conclusion can be rendered with respect to the structures present in any of the compositions in question the chemistry in this area needs more study and more background information is needed about NMR analysis of systems involving tin with sulfur and oxygen as well as chlorine etc.

39. According to Prof. Zuckermann, in response to an inquiry from the court, if you had the inclination, know-how and technology and money it may be possible to identify a particular molecule if it is present "if you threw a whole gang of money at this problem, more than even has been thrown already, you *might* be able to do that job."

40. If the examples of the patent taught what they alleged to teach the detection of the presence of compounds

claimed in the '881 patent would have been possible in 1974, 1977 and today.

#### **F. The Accused Argus Products Do Not Infringe The Kugele '881 And '845 Patents**

41. Argus, in the United States, has made and sold commercially certain organotin heat stabilizer products, including products known as Mark 1925, Mark 1939, Mark 1943, Mark 2201 and Mark 2212. Argus, in the United States, has made other organotin heat stabilizer products, including LRB-530 and LRB-950. Mark 1925, Mark 1939, Mark 1943, Mark 2201, Mark 2212, LRB-530, and LRB-950 comprise the "accused products."

42. Argus, in the United States, has sold its Mark 1925, Mark 1939, Mark 1943, Mark 2201 and Mark 2212 stabilizer products to others knowing that those stabilizer products would be incorporated into PVC compositions.

43. Carstab has asserted that the manufacture or sale of Argus' accused products constitutes an infringement of claims 1 and 4 of the '881 patent and an inducement to infringe claims 1 and 11 of the '845 patent.

44. Carstab has failed to establish, by preponderance of evidence, that any of the accused Argus organotin heat stabilizer products (Mark 1925, Mark 1939, Mark 1943, Mark 2201 and Mark 2212 as well as Argus' experimental accused organotin heat stabilizer products LRB-530 and LRB-950) includes a compound within the scope of claims 1 and 4 of the Kugele '881 patent, nor has Carstab established, by preponderance of the evidence, that the manufacture or sale of these products constitutes an inducement to infringe claims 1 or 11 of the Kugele '845 patent.

#### **G. Carstab Is Restricted To The Literal Language Of The Claims Of The '881 And '845 Patents To Prove Infringement**

45. The organotin stabilizer art, including literature and commercial products, is crowded.



46. Carstab believed that its commercial organotin stabilizer products which differed only in minor respects from the literal language of existing U.S. Patent claims would not constitute an infringement of such patents.

47. Any attempt to expand the claims of the '881 patent to cover a product containing a general organotin reverse ester mercaptide would further invalidate the '881 patent based upon prior art expressly directed to such compounds.

48. Carstab's belated effort to rely upon the "doctrine of equivalents" is meaningless in the present instance since this doctrine requires establishing that something other than what is literally claimed does substantially the same thing, in substantially the same way, to achieve substantially the same result as the "claimed invention" of the Kugele '881 and '845 patents. However, since neither Carstab nor Argus, nor anyone else has been able to isolate or purify compounds as claimed in these patents, there has been no convincing showing that this doctrine, in any way, overcomes Carstab's inadequacy to show literal infringement.

49. Carstab had determined that competitive organotin stabilizer products contained alkyltin reverse ester mercaptides and alkyltin sulfides in admixture at least as early as the late 1970's.

50. According to Carstab it is necessary to amass an exhaustive amount of data in order to determine whether any competitor sells a product which infringes the Kugele '881 and '845 patents. This exhaustive body of data includes sophisticated nuclear magnetic resonance (NMR) data which has taken Carstab years to amass yet it has not published any of this data.

51. Neither the discovery of ligand exchange in tin-sulfur system nor the fact that Argus' accused stabilizers exhibit synergy provide proof of the existence of compounds claimed in the '881 patent.

52. Neither classical analytical analysis nor mass spectrometer analysis nor liquid chromatography nor tin nuclear magnetic resonance studies nor nuclear magnetic resonance studies on model system provide adequate proof to establish the existence of compounds claimed in the '881 patent.

53. The evidence preponderates that Argus' accused products contain mixtures of alkyltin sulfides and alkyltin mercaptides and do not contain compounds postulated in the asserted claims of the '881 patent.

54. Because Carstab has failed to carry its burden of establishing that Argus' stabilizers are more likely than not infringements of the Kugele '881 patent, it has also failed in carrying its burden to establish that Argus has infringed the Kugele '845 patent by contributing to or inducing the direct infringement of that patent by its stabilizer customers.

#### IV. CONCLUSIONS OF LAW

##### A. Introduction

1. This is a patent infringement action arising under the patent laws of the United States, 35 U.S.C. §§ 271 *et seq.* and the Declaratory Judgment Statute, 28 U.S.C. § 2201.

2. Jurisdiction of this court and venue are pursuant to 28 U.S.C. § 1338(a) and § 1400(b), respectively.

3. The Plaintiff, Morton Thiokol, Incorporated (Carstab) has charged Defendant, Argus Chemical Corporation (Argus) with infringement of United States Letters Patent 4,062,881 (the '881 patent) and 4,120,845 (the '845 patent) by the manufacture, use or sale of organotin stabilizer products known as LRB-530, LRB-950, Mark 1925, Mark 1939, Mark 1943, Mark 2201, and Mark 2212.



4. Carstab has the burden of proving infringement by a preponderance of the evidence. *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530 (Fed. Cir. 1983).

5. Argus has the burden of proving that the '881 and '845 patents are invalid under 35 U.S.C. 112. Argus' burden of proving the invalidity of the '881 and '845 patents is by clear and convincing evidence. 35 U.S.C. § 282; *Akzo, N.V. v. E.I. du Pont De Nemours*, 1 USPQ.2d 1704 (Fed. Cir. 1987).

**B. The '881 and '845 Patents Are Indefinite and Thus Invalid Under 35 U.S.C. § 112, Second Paragraph**

6. The second paragraph of 35 U.S.C. § 112 sets forth the requirement that the claims of a patent must particularly point out and distinctly claim the subject matter of the invention. *Standard Oil v. American Cyanamid Company*, 774 F.2d 448 (Fed. Cir. 1985). The second paragraph of § 112 states:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention. A claim may be written in independent or, if the nature of the case admits, in dependent or multiple dependent form.

7. Section § 112, second paragraph requires the claims to "provide a clear warning to others as to what constitutes infringement of the patent." *D. Chisum, PATENTS*, § 8.03 at 8-11, 12 (1987); *United Carbon Company v. Binney Company*, 317 U.S. 228, 232-33 (1942).

8. Where undue experimentation and tests are required to determine whether a product infringes a claim, the claim is invalid for indefiniteness. *Interlake, Incorporated v. Weld-Loc Systems, Incorporated*, 213 USPQ 154, 161-2 (C.D. Ohio 1981); *Standard Oil Company v. Tide Water Associated Oil Company*, 154 F.2d 579, 583 (3rd Cir. 1946); *Deep Welding, Incorporated v. Sciaky Bros., Incorporated*,

417 F.2d 1227 (7th Cir. 1969). The validity of a patent claim under § 112, second paragraph, depends on whether the subject matter contained in the claim has "a clear and definite meaning when construed in the light of the complete patent document." *Standard Oil Company v. American Cyanamid Company*, 774 F.2d 448, 452 (Fed. Cir. 1985).

9. The '881 and '845 patents claim a set of compounds which have specified molecular structures as well as specific weight percentage of tin and sulfur within the claimed molecule. Claim 1 of the '881 patent is representative and requires:

at least one tin atom having 1 to 2 hydrocarbol groups . . . linked to the tin through carbon, . . . at least one mercaptoethanol alkyl ester of a carboxylic acid group linked to tin through the sulfur of the mercaptoalkyl group and at least 1 mono or polysulfide sulfur group bonded exclusively to tin.

This language describes what has been consistently referred to as the "connectivity" requirement. The claim further requires:

the organotin compound having an amount of tin within the range of from 10 to 42% by weight and an amount of sulfur within the range from 8 to 42% by weight.

10. For the following reasons, the court finds that the claims of the patents at issue fail to satisfy the requirement of "definiteness" under 35 U.S.C. § 112, second paragraph. This court is satisfied that Argus has met its burden of proof under § 112 by clear and convincing evidence. Therefore, the '881 and '845 patents are invalid.

11. During the trial, it was established that a person skilled in the art cannot determine whether the compounds, as claimed, actually exist. The claims require spe-

cific chemical structures for the claimed molecules, referred to as "connectivities". The term "connectivity" means how the atoms of a compound are arranged with relation to one another, i.e., how the atoms are connected by chemical bonds. The evidence has shown that it is not possible for one skilled in the art of organotin stabilizers to ascertain the actual existence of these claimed "connectivities".

12. The evidence at trial clearly and convincingly showed that, despite efforts by both parties, the "connectivities" contained in the '881 and '845 patent claims cannot be detected using sophisticated modern instrumental techniques. The claims of '881 and '845 patents define compounds containing specific connectivities which, in pertinent part, consist of tin-sulfur-tin reverse ester mercaptides. None of the claims of either the '881 or the '845 patent contain any process information directed to obtaining the claimed tin-sulfur-tin reverse ester mercaptide connectivity. After exhaustive investigations with state of the art analytical instruments, including high resolution Tin-119 nuclear magnetic resonance which was not available when the patent was applied for, the evidence shows no objective support for the actual existence of the claimed connectivities.

13. The evidence clearly and convincingly establishes that a person skilled in the art is unable to ascertain the claimed structures in order to avoid infringement of the '881 and '845 patent claims. Therefore, this court concludes that the language of the '881 and '845 patent claims relating to the tin-sulfur-tin reverse ester mercaptide connectivity is too vague to satisfy the definiteness requirement of § 112. *Standard Oil Co. v. American Cyanamid Co.*, 774 F.2d 448 (Fed. Cir. 1985) (when construed in light of the complete patent document, claim containing the term "partially soluble" was too vague under § 112).

14. Claim 1 of the '881 patent and Claim 1 of the '845 patent require the claimed compound to have "an amount

of tin within the range of from 10 to 42% by weight and an amount of sulfur within the range from 8 to 42% by weight". The evidence has established that the procedures disclosed for manufacturing the claimed compounds actually yield a mixture of previously known organotin sulfides and organotin mercaptide materials. The evidence presented at trial relating to tin and sulfur analyses was not specific to the claimed structures. All such analyses were of entire samples consisting of a variety of compounds, none of which could be identified as a compound containing the claimed connectivity. It follows that none of the claimed compounds could be isolated or separated from the mixture obtained when the disclosed procedures were followed. The evidence therefore establishes clearly and convincingly that it is impossible for a person skilled in the art to obtain tin and sulfur analyses which are specific to the claimed compounds. Therefore, this court finds that the claimed ranges for tin and sulfur have no clear and definite meaning and, therefore, are too vague to satisfy the definiteness requirement of § 112. *Standard Oil Co. v. American Cyanamid Co.*, 774 F.2d 448 (Fed. Cir. 1985).

15. In determining that the claims at issue are indefinite under § 112, second paragraph, this court recognizes that the Plaintiff/patentee was solely responsible for drafting the claims of the '881 and '845 patents. Carstab cannot now complain that it chose the wrong format. *See, Ex Parte Siddiqui*, 156 USPQ 426 (1967). The Plaintiff was entitled to claim the alleged invention as narrowly or as broadly as it thought it was entitled to. Carstab could have chosen a different claim format such as product by process, process claim formats, or as a composition of matter of a mixture. Having chosen the wrong format, this court is without power to rewrite the claims of the '881 or '845 patents. Indeed, it would be improper at this late date to allow Carstab to rewrite its claims in a more definite format. *See, Super Products Corporation v. D.P. Way Cor-*



poration, 546 F.2d 748, 756 (7th Cir. 1976) (the court is without power to rewrite a claim even if the invention might have justified patent protection.); *Unique Concepts, Incorporated v. Manuel*, 231 USPQ 268, 273 (N.D. Ill. 1986) (if the patentee's claims do not provide all the protection he thinks he deserves, he has no one but himself to blame. A court cannot rewrite patent claims through judicial construction.); *Digicourse, Incorporated v. AMA Distributors, Incorporated*, 629 F.2d 1310, 1315 (E.D. La. 1984) (the court is not at liberty to correct inartfully drafted patent claims).

**C. The '881 And '845 Patents Are Invalid Because Their Specifications Are Not Enabling As Required By 35 U.S.C. § 112, First Paragraph**

16. The first paragraph of 35 U.S.C. § 112 requires that the specification of the Kugele patents "enable" or teach one skilled in the art to make and use the compounds claimed therein without undue experimentation. *W.L. Gore & Associates v. Garlock, Incorporated*, 721 F.2d 1540, 1556 (Fed. Cir. 1983). A patent specification must enable those skilled in the art, at the time the application was filed, to practice the claimed invention. *Id.* Enablement is to be determined for the invention as claimed because "it is the claimed invention for which enablement is required." *Id.* The first paragraph of § 112 states:

"The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention."

17. The patent specifications for the '881 and '845 are virtually identical. All of the examples of the '881 and '845

patents are written as working examples, i.e., written to represent work that has been actually performed in the manner specifically stated within each example. However, the evidence has shown that none of the examples as written and represented in the specification of the '881 and '845 patents were ever performed. According to the evidence, Carstab has apparently never looked at a single one of its own examples to investigate the nature or identity of the actual products obtained when these examples are followed.

18. The '881 patent alleges to teach the formation of postulated compounds as claimed in that patent. But, even with the aid of sophisticated analytical instrumentation and the use of model systems which attempt to provide the compounds claimed in the '881 patent, there is no evidence that such compounds exist. The clear and convincing evidence has shown that the examples of the '881 patent do not produce the postulated compounds. Rather, these examples or procedures produce a complex mixture of alkyltin mercaptides and alkyltin sulfides. The evidence established that a number of these are prior art compounds known to be useful as heat stabilizers.

19. This court finds that the limitations contained in the claims of the Kugele patents are impossible to ascertain. In light of the evidence clearly and convincingly establishing that the Plaintiff has never been able to either identify or isolate a compound having a structure or tin and sulfur content as claimed in the Kugele patents, this court is compelled to find the disclosure of both of the disputed patents to be nonenabling and therefore invalid under 35 U.S.C. § 112, first paragraph.

20. Argus has proven with clear and convincing evidence that the Kugele specifications are nonenabling. Expert testimony and analytical data show that when the procedures set forth in the Kugele patent specifications are followed, a multicomponent product is obtained. This



result is contrary to the Plaintiff's representations that the performance of these procedures will yield the claimed compounds. Moreover, the evidence establishes that one skilled in the art using state of the art analytical techniques, cannot detect or isolate the claimed compounds.

21. The '881 and '845 specifications disclose no analytical techniques which would have enabled a person skilled in the art, at the time the application was filed, to determine whether the claimed compounds could be made by following a procedure specified in the patents. Testimony by those skilled in the art has proven that analytical techniques available in 1974 (when the '881 patent application was filed) provided no positive evidence that the claimed compounds resulted from following the procedures specified in the Kugele patents. In fact, the testimony and other evidence shows that the 1974 technology clearly would have demonstrated that products manufactured according to the specified procedures were mixtures and not the single compound claimed in the '881 and '845 patents. As drafted, the '881 and '845 disclosures would not enable a person skilled in the art at the time the application was filed to either make or use the claimed compounds.

22. This court is conscious of guidelines set out by the Court of Appeals for the Federal Circuit as stated in *Raytheon Company v. Roper Corporation*, 724 F.2d 951 (Fed. Cir. 1983). In *Raytheon*, Chief Judge Markey wrote:

Because it is for the invention as claimed that enablement must exist, and the impossible cannot be enabled, a claim containing a limitation impossible to meet may be held invalid under § 112.

*Id.* at 956.

This language is applicable to the case at bar since the claim limitations of the Kugele patents, as discussed, are impossible to ascertain. Therefore, this court finds that

the '881 and '845 patents are invalid as noneabling under 35 U.S.C. § 112, first paragraph.

#### **D. The Accused Stabilizers Do Not Literally Infringe The Claims Of The '881 And '845 Patents**

23. Carstab has asserted that the manufacture or sale of Argus' accused products constitutes an infringement of claims 1 and 4 of the '881 patent and in inducement to infringe claims 1 and 11 of the '845 patent.

24. Carstab did not carry its burden of proof. The evidence clearly and convincingly shows that Argus' accused products contain a mixture of organotin components. Even after Carstab and Argus have each expended extraordinary sums of money on state of the art testing, these organotin components of the accused Argus products cannot be identified as any of the compounds claimed in the '881 and '845 patents. Furthermore, the lack of specificity of all the tin and sulfur analyses submitted at trial precludes Carstab from asserting that Argus' accused products fall within the claimed ranges for tin and sulfur in either the '881 or the '845 patent.

25. In support of its infringement claim, Carstab has set forth state of the art instrumental analyses, such as Tin-119 NMR analyses, which were not recognized in the organotin stabilizer industry as the time the Kugele patent applications were filed. Accordingly, such analyses are legally irrelevant for the issue of infringement because reliance on such techniques would cause the patent to mean one thing at the time of issuance and another at some later date. *Raybestos-Manhattan, Inc. v. Tezon, Inc.*, 268 F.2d 839 (1st Cir. 1959); *Swift Chemical Company v. Usamez Fertilizers*, 490 F.Supp. 1343 (E.D. La. 1980) *aff'd*, 646 F.2d 1121 (5th Cir. 1981).

26. Carstab has failed to establish, by preponderance of evidence, that any of the accused Argus organotin heat stabilizer products includes a compound within the scope

of claims 1 and 4 of the Kugele '881 patent, nor has Carstab established, by preponderance of the evidence, that the manufacture or sale of these products constitutes an inducement to infringe claims 1 or 11 of the Kugele '845 patent.

27. According to Carstab it is necessary to amass an exhaustive amount of data in order to determine whether any competitor sells a product which infringes the Kugele '881 and '845 patents. This exhaustive body of data includes sophisticated nuclear magnetic resonance (NMR) data, elemental analyses, mass spectrometry and liquid chromatography.

28. The evidence is clear and convincing that elemental analysis (i.e., determining the elements present) is not sufficient to identify the components present in a mixture. Therefore, one skilled in the art would not be able to identify the individual components of an accused stabilizer product with an elemental analysis. The '881 and '845 claims require that the compounds claimed therein contain specified weight percentages of tin and sulfur. Since one skilled in the art cannot separate or even identify these claimed compounds, all elemental analyses of the accused products, which were produced at trial, did not sufficiently measure the tin and sulfur content for purposes of determining infringement. Therefore, Carstab has failed to prove infringement of the '881 and '845 patents by a preponderance of the evidence.

29. Argus also conducted sophisticated chemical ionization mass spectrometric studies on its accused stabilizers and nothing in the mass spectrum of Argus' accused products provides evidence for the presence of compounds claimed in the '881 patent.

30. Nothing in the mass spectrometric data of samples of model systems prepared by Carstab and designed by Carstab to contain the postulated compounds claimed in

the '881 patent provided evidence for compounds claimed in the '881 patent.

31. The mass spectrometry data does show the presence of organotin sulfides and organotin mercaptides in admixture consistent with Argus' position.

32. Liquid chromatography establishes that Argus' accused stabilizers such as Mark 2212 contain a mixture of components. The liquid chromatography results of Argus' accused stabilizer products such as Mark 2212 are consistent with a mixture of alkyltin sulfides and alkyltin mercaptides.

33. The liquid chromatographic analysis work conducted on Argus' accused stabilizer products and model systems provides no evidence for the presence of compounds claimed in the '881 patent.

34. Almost all of Carstab's NMR data presented at trial utilized more sophisticated NMR instruments, such as 500 MHz NMR instruments, which were not available when the patent was applied for. For example, Prof. Levy did not receive his 500 MHz instrument until 1985. Therefore, this data is legally irrelevant for purposes of determining infringement of the '881 and '845 patents.

35. All Nuclear Magnetic Resonance studies presented in evidence at trial have failed to establish the existence of compounds claimed in the '881 or the '845 patents. Studies conducted either on model systems or on actual Argus products have failed to provide evidence of the existence of the claimed compounds.

36. Based on all the evidence presented at trial, including elemental analyses as well as instrumental analyses, this court concludes that the accused products do not literally infringe the claims of the Kugele '881 or '845 patents.



**E. Argus' Accused Products Do Not Infringe The '881 And '845 Patents Under the Doctrine of Equivalents**

37. While a pioneer invention is entitled to a broad range of equivalents, an invention representing only a modest advance over the prior art is given a more restricted range of equivalents. *Thomas and Betts v. Litton Systems*, 720 F.2d 1572 (Fed. Cir. 1983). In the present case, the organotin stabilizer art is crowded, and the Kugele patent claims are so narrow that they call for complex compounds which cannot, even now, be isolated or purified. Where a patent is narrow or the art is crowded, the range of equivalents available to the patentee may "be so narrow as to be virtually non-existent." *Parmalee Pharmaceutical v. Zink*, 285 F.2d 465 (8th Cir. 1961).

38. The doctrine of equivalents requires establishing that something that is not literally claimed is equivalent to that which is literally claimed. Compounds as claimed by the '881 and '845 patents have not been isolated or purified. There is significant doubt as to whether "equivalency" to the claimed compounds of the Kugele '881 and '845 patents could, as a matter of law, be established under any circumstances.

39. To the extent that Plaintiff asserts that Argus' products are "equivalent," Carstab must show that the Argus' products are equivalent to the *claims* of the '881 and '845 patents—not to any Carstab products. It is not enough merely to demonstrate "equivalency" of two commercial products. *Nestier Corporation v. Menasha Corporation*, 739 F.2d 1576, 1579 (Fed. Cir. 1984).

40. To the extent that Plaintiff asserts infringement by "equivalence" because of some similarities in the process and starting materials used by Argus with those specified in the specifications of the '881 and '845 patents, this approach is completely inappropriate. Claims are infringed, not specifications. See, *SRI International v. Matsushita Electric Corporation*, 775 F.2d 1107, 1121 (Fed. Cir. 1985).

41. Therefore, the doctrine of equivalents is inapplicable in this case. This court holds that Argus' accused products do not infringe, either literally or under the doctrine of equivalents, the claims of either the '881 patent or the '845 patent.

42. The court having found by clear and convincing evidence that the patents in question herein are invalid and further that the Plaintiff has failed to prove by a preponderance of the evidence any infringement of the patents, judgment should be entered on the main demand in favor of Defendant dismissing Plaintiff's action for infringement and on the counterclaim in favor of the Defendant as counterclaimant declaring the patents invalid.

43. Because of the above Findings and Conclusions, it is unnecessary to consider other grounds urged by the Defendant for a finding of patent invalidity or unenforceability.

New Orleans, Louisiana, this 22nd day of June, 1988.

/s/ A. J. McNamara

UNITED STATES DISTRICT JUDGE



UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF LOUISIANA

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CIVIL ACTION  
NO. 84-5685  
SECTION "D" (5)

---

MORTON THIOKOL, INC.  
VERSUS  
WITCO CHEMICAL CORPORATION, ET AL

---

DATE OF ENTRY  
JUL-29 1988

---

**CORRECTED JUDGMENT**

The Judgment entered on June 22, 1988, is hereby corrected, as provided for under Fed.R.Civ.P. 60(a), to read as follows:

For reasons set forth in the court's Order dated June 22, 1988;

JUDGMENT IS HEREBY RENDERED in favor of the Defendant, Argus Chemical Corporation, and against the Plaintiff, Morton Thiokol, Inc., dismissing Plaintiff's claim for patent infringement with prejudice and at its costs.

JUDGMENT IS FURTHER RENDERED in favor of Argus Chemical Corporation as Counter-Claimant and against Morton Thiokol, Inc. as Counter-Defendant declaring the patents described in United States Letters Patent No. 4,062,881 and No. 4,120,845 invalid, void and unenforceable, and not infringed.

New Orleans, Louisiana, this 28 day of July, 1988.

/s/ A. J. McNamara  
UNITED STATES DISTRICT JUDGE

Note: This opinion has not been prepared for publication in a printed volume because it does not add significantly to the body of law and is not of widespread legal interest. It is a public record. It is not citable as precedent. The decision will appear in tables published periodically.

United States Court of Appeals for the Federal Circuit

88-1553

MORTON THIOKOL, INC.,  
Plaintiff-Appellant,

v.

ARGUS CHEMICAL CORPORATION,  
Defendant-Appellee.

DECIDED: April 3, 1989

Before FRIEDMAN, *Circuit Judge*, NICHOLS, *Senior Circuit Judge*, and SMITH, *Circuit Judge*.

FRIEDMAN, *Circuit Judge*.

### DECISION

The judgment of the United States District Court for the Eastern District of Louisiana is *affirmed* insofar as it determined that claims 1 and 4 of United States Patent No. 4,062,881 (the '881 patent) and claims 1 and 11 of United States Patent No. 4,120,845 (the '845 patent) were not infringed and dismissed the appellant's suit, and the judgment is *vacated* insofar as it determined that the patents are invalid, void, and unenforceable.

### OPINION

#### I

This suit alleged that the appellee had infringed the claims of the appellant's patents listed above. Only claim 1 of each patent is involved in this appeal.

Those claims cover organotin compounds that have particular chemical structural elements. The two elements here involved are (1) a partial arrangement of atoms, referred to by the parties as a "molecular connectivity," wherein a tin atom is bonded to a sulfur atom, the sulfur atom then bonded to a second tin atom, and the second tin atom bonded to a reverse ester mercaptide: Sn-S-Sn-SR; and (2) "the organotin compound [has] an amount of tin within the range from 10 to 42% by weight and an amount of sulfur within the range from 8 to 42% by weight."

After trial, the district court made lengthy findings and conclusions and held that the claims of the '881 and '845 patents were invalid under 35 U.S.C. § 112 (1982) because the specification was not enabling and the claims were indefinite. The court further held that the appellee's product did not infringe those claims, either literally or under the doctrine of equivalents.

#### II

In this appeal, the appellant challenges the district court's determinations of invalidity and noninfringement. Its latter challenge is directed only to the finding of no literal infringement. We hold that the finding of no literal infringement is not clearly erroneous and on that basis we affirm the portion of the judgment of the district court that determined that the patents are not infringed and dismissed the suit. We therefore find it unnecessary to reach the district court's determination that the patents are invalid, and vacate the portion of the judgment that so determined.

A. The existence of infringement depends on whether the asserted claims, as properly construed, cover the accused product. *Envirotech Corp. v. Al George, Inc.*, 730 F.2d 753, 758, 221 USPQ 473, 477 (Fed. Cir. 1984). The patentee has the burden to prove infringement by a preponderance of the evidence. *SmithKline Diagnostics, Inc. v. Helena Laboratories Corp.*, 859 F.2d 878, 889, 8 USPQ2d 1468, 1477 (Fed. Cir. 1988); *Mannesmann Demag Corp. v. Engineered Metal Prods. Co.*, 793 F.2d 1279, 1282, 230 USPQ 45, 46 (Fed. Cir. 1986). "Literal infringement requires that every limitation of the patent claim must be found in the accused device." *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044, 1054, 5 USPQ2d 1434, 1441 (Fed. Cir.), *cert. denied*, 109 S. Ct. 75 (1988). Literal infringement *vel non* is a factual determination which is reviewed on a clearly erroneous standard. *Uniroyal, Inc.*, 837 F.2d at 1054, 5 USPQ2d at 1441.

The appellant states in its brief that the district court adopted "word-for-word" the post-trial findings prepared by the appellee. At oral argument, however, the appellant conceded that the court did not adopt all the proposed findings verbatim. Since both the appellant and the appellee submitted proposed findings and the case remained *sub judice* for about a year, there is no reason to think that the court's findings represented anything other than the court's considered judgment.

The fact that the court adopted the findings submitted by one party "neither renders them improper nor relaxes our standard of review." *Mathis v. Spears*, 857 F.2d 749, 754, 8 USPQ2d 1551, 1555 (Fed. Cir. 1988). Indeed, "even when the trial judge adopts proposed findings verbatim, the findings are those of the court and may be reversed only if clearly erroneous." *Anderson v. City of Bessemer City, N.C.*, 470 U.S. 564, 572 (1985); *Under Sea Indus., Inc. v. Dacor Corp.*, 833 F.2d 1551, 1556, 4 USPQ2d 1772, 1775 (Fed. Cir. 1987).

B. To show infringement, the appellant was required to prove that every limitation in the claims, including the limitation specifying the percentage range of tin and sulfur by weight, was met in the appellee's products. The district court found that the appellant had failed to prove that the appellee's products contained claimed compounds that meet the percentage tin and sulfur limitation. That finding was not clearly erroneous.

The appellant introduced current, state-of-the-art nuclear magnetic resonance (nmr) data, which the district court held was legally irrelevant for determining infringement of the '881 and '845 patents. This evidence, however, was directed primarily to other limitations in the claims. The appellant's own expert, Professor Levy, admitted in a colloquy with the court that nmr experiments were "neutral" on the question whether the claimed range of tin was present. The appellee's expert, Dr. Eckert, whose testimony the court apparently credited, stated that "[n]either with NMR alone, nor with NMR in conjunction with all of the other testing that has been done," can one show that the compounds fall within the percent tin and sulfur limitation.

The appellant submitted elemental analyses of the appellee's products. This is a method for determining the percentage of elements present in a compound. The district court concluded:

[T]he lack of specificity of all the tin and sulfur analyses submitted at trial precludes Carstab [the appellant] from asserting that Argus' [the appellee's] accused products fall within the claimed ranges for tin and sulfur in either the '881 or the '845 patent. . . . The '881 and '845 claims require that the compounds claimed therein contain specified weight percentages of tin and sulfur. Since one skilled [in] the art cannot separate or even identify these claimed compounds, all el-



emental analyses of the accused products, which were produced at trial, did not sufficiently measure the tin and sulfur content for purposes of determining infringement. Therefore, Carstab has failed to prove infringement of the '881 and '845 patents by a preponderance of the evidence.

The record supports these conclusions. The expert witnesses uniformly agreed that the appellee's accused products were a complex mixture of many compounds, most components of which were admittedly noninfringing. The appellant's expert, Dr. Weisman, admitted on cross-examination that these elemental analyses could not identify a single component of the complex mixture as infringing the percent tin element of the claim. As Professor Herber testified—testimony the court accepted: "[E]lemental analysis of a mixture will give you a grand average over all of the components of that mixture and that information is not terribly useful with respect to understanding the chemical composition of any one component." The record therefore supports the court's finding that the appellant's elemental analyses of the whole complex mixture did not prove infringement.

The appellant argues that the court disregarded the testimony of its expert, Professor Seyferth. Seyferth, the appellant contends, demonstrated from his "calculations" that compounds in the appellee's products having the claimed molecular connectivities would all fall within the claimed ranges for tin and sulfur. These calculations were based upon Seyferth's assumptions as to the actual structure of the allegedly infringing compounds.

The district court did not find this testimony convincing, since it found that "[a]ny attempt to calculate percent tin and percent sulfur for a postulated molecule containing the tin-sulfur-tin mercaptide connectivity at issue is just an intellectual exercise and such intellectual exercises can postulate compounds containing the tin-sulfur-tin mercap-

tide connectivity which have tin percentages within the claimed percentages as well as tin percentages outside the claimed percentages." Although this finding was made in dealing with validity, it is equally applicable to infringement.

Professor Seyferth's testimony is insufficient to show that the district court's finding that the appellant had not proven that the appellee's products contained the amounts of tin and sulfur the patent specified, is clearly erroneous. On cross-examination, Professor Seyferth admitted that there were certain structures, including a structure proposed by Dr. Eckert, that would fall outside the claimed range for tin. When asked by the court to explain the apparent inconsistency of this admission with his earlier testimony, Seyferth replied: "Well, most of the ones that would fall out, like this, for instance, would be highly unlikely." The court apparently concluded, and we agree, that Seyferth's earlier testimony had been undermined by this exchange.

The appellant has not made a sufficient showing of the actual structure of the allegedly infringing components in the appellee's products, a showing necessary for us to conclude, in light of the court's finding to the contrary, that Seyferth's calculations were entitled to conclusive effect.

#### COSTS

Costs to the appellee.

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF SOUTH CAROLINA  
GREENVILLE DIVISION

CIVIL ACTION NO. 6:83-889-OK

Magistrate Catoe

MORTON INTERNATIONAL, INC.

Plaintiff,

v.

CARDINAL CHEMICAL COMPANY, a Partnership, W.M.  
QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM; AND  
W.M. QUATTLEBAUM, III, Individuals; CARDINAL  
MANUFACTURING; and CARDINAL STABILIZERS,  
Defendants.

ANSWER AND COUNTERCLAIMS OF DOROTHY  
QUATTLEBAUM, W.M. QUATTLEBAUM, III, CARDINAL  
MANUFACTURING AND CARDINAL STABILIZERS TO  
PLAINTIFF'S AMENDED COMPLAINT

Defendants answer Plaintiff's Amended Complaint as follows:

1. Answering Paragraph 1 of the Amended Complaint, Defendants admit that Plaintiff has a place of business at 100 N. Wacker Drive, Chicago, Illinois 60606; and are without sufficient information to form a belief as to the truth of the remaining allegations therein and therefore deny the same and leave Plaintiff to its proofs.

2. Defendants admit the allegations contained in Paragraph 2 of the Amended Complaint.

3. Defendants admit the allegations contained in Paragraph 3 of the Amended Complaint.

[Pursuant to a district court order dated October 23, 1992, the confidential designation of these documents has been removed.]

4. Defendants admit the allegations contained in Paragraph 4 of the Amended Complaint, with the clarification that W.M. Quattlebaum, III is a limited partner.

5. Defendants admit the allegations contained in Paragraph 5 of the Amended Complaint with the exception that Defendant resides at Arundel Oast, Maypole Road, Goudhurst, Cranbrook, Kent, England TN 17 1DS, not the address provided.

6. Defendants admit the allegations contained in Paragraph 6 of the Amended Complaint.

7. Defendants deny that there is a United States Letters Patent with the number 4,0062,881. Defendants however, admit that the United States Letters Patent No. 4,062,881 is entitled "Sulfide Containing Tin Stabilizers", that it issued December 13, 1977 showing Thomas G. Kugele as the inventor and that the patent shows the assignee to be Cincinnati Milacron Chemicals, Inc. Defendants are without sufficient information to form a belief as to the truth of the remaining allegations set forth in Paragraph 7 of the Amended Complaint and therefore deny the same and leave Plaintiff to its proofs.

8. Defendants admit that United States Letters Patent No. 4,120,845 is entitled "Sulfide Containing Tin Stabilizers", that is issued October 17, 1978 showing Thomas G. Kugele as the inventor and that the patent shows the assignee to be Cincinnati Milacron Chemicals, Inc. Defendants are without sufficient information to form a belief as to the truth of the remaining allegations set forth in Paragraph 8 of the Complaint and therefore deny the same and leave Plaintiff to its proofs.

9. Defendants deny the allegations contained in Paragraph 9 of the Amended Complaint.

10. Defendants deny the allegations contained in Paragraph 10 of the Amended Complaint.



11. Defendants deny the allegations contained in Paragraph 11 of the Amended Complaint.

12. Defendants deny the allegations contained in Paragraph 12 of the Amended Complaint.

13. Defendants deny the allegations contained in Paragraph 13 of the Amended Complaint.

14. Defendants deny the allegations contained in Paragraph 14 of the Amended Complaint.

15. Defendants deny the allegations contained in Paragraph 15 of the Amended Complaint.

16. Defendants deny the allegations contained in Paragraph 16 of the Amended Complaint.

17. Defendants admit they became aware of United States Letters Patent Nos. 4,062,881 and 4,120,845 when so informed of them by the assignee of such patents but deny the remaining allegations contained in Paragraph 17 of the Amended Complaint.

18. Defendants deny the allegations contained in Paragraph 18 of the Amended Complaint.

AS FURTHER, SEPARATE AND AFFIRMATIVE DEFENSES TO THE COMPLAINT, DEFENDANTS ALLEGE:

19. The patents in suit are invalid in that they fail to comply with 35 U.S.C. § 102, because:

(a) The alleged invention was known and used by others in the country, and described in printed publications in this or foreign countries before the alleged invention by the applicants for the patents in suit.

(b) The alleged invention was described in printed publications in this or a foreign country and was in public use or on sale in this country more than one year prior to the date of the application for the patents in suit.

(c) The alleged invention was described in patents granted on patent applications filed by others in the United

States before the alleged invention thereof by the applicants for the patents in suit.

20. The patents in suit are invalid under 35 U.S.C. § 103 because, to the extent that the subject matter defined in the claims of the patents in suit may be held to be not identically disclosed or described as set forth in the prior art, any differences between said subject matter and the prior art are such that the subject matter would have been obvious at the time the alleged invention was made to those having ordinary skill in the art to which the subject matter of the patents pertain.

21. The patents in suit are invalid because of failure to disclose and claim the alleged invention in the manner required by 35 U.S.C. § 112.

22. Plaintiff is barred from the relief requested in its Complaint by reason of laches and estoppel for having unreasonably and inexcusably delayed in filing this law suit following the time Plaintiff learned of Defendants' alleged infringing activities, resulting in material prejudice to Defendants.

23. United States Letters Patent Nos. 4,062,881 and 4,120,845 (the Kugele '881 and '845 patents) are void, invalid and/or unenforceable because the applicant thereof and/or his attorneys, and employees of Morton, or its predecessors, failed to fulfill their uncompromising duty to disclose and candidly present to the Patent and Trademark Office ("PTO") known facts material to the examination of the patent applications maturing into Kugele '881 and '845 patents.

(a) By way of example, and on information and belief, the applicant, his attorneys and/or assignees made or allowed to be made misrepresentations and misleading omissions concerning the scope and content of the prior art, and the differences between the invention being claimed and the prior art. In addition, the applicant, its



attorneys and/or its assignees misrepresented and/or failed to disclose to the PTO material facts of which they were, or should have been, aware. For example, the applicant, his attorneys and/or his assignees misrepresented the facts concerning the comparison between compounds disclosed in the Kugele '881 and '845 patents and compounds of prior art patents in Kauder and Brecker.

(b) By way of example, and on information and belief, the examples of the '881 and '845 patents, which allegedly teach preparation of a product containing only the compounds claimed in the '881 and '845 patents, do not yield a single compound but yield complex mixtures containing known organotin heat stabilizers. Examples 20, 31, 32 and 34 are representative of examples of the '881 patent which were written as yielding pure compounds of the claimed structure, where in actuality they yield something quite different.

(c) By way of further example, and on information and belief, the applicant, his attorneys and/or employees of Plaintiff or its predecessors in title have never been able to isolate or purify compounds as claimed in the '881 and '845 patents and, on information and belief, were aware that the comparison of the claimed organotin stabilizer products to prior art stabilizers were misrepresentations because the procedures and examples taught in the Kugele patents produced alkyltin reverse ester mercaptides and alkyltin sulfides in admixture. Because of the inability to isolate or purify the compounds claimed in those patents, the comparison made to prior art stabilizers was not a comparison of the claimed compounds but a comparison of the admixture.

(d) By way of further example, and on information and belief, the products of the examples which are claimed in the '881 and '845 patents are taught to be stabilizers but, in actuality, the examples produce a mixture of products containing previously known organotin heat stabiliz-

ers. Due to the fact that no one has ever made, isolated or identified a compound as claimed in the '881 and '845 patents, there is no evidence that such compounds have any stabilizing action.

24. On information and belief, the failure of the applicant of the '881 and '845 patents, its attorneys and/or assignees to fulfill their uncompromising duty to disclose and candidly present material facts to the Patent and Trademark Office as aforesaid was either knowing and willful, or reckless, or occurred through gross negligence, and prevented the PTO from fairly assessing the patent applications maturing into the Kugele '881 and '845 patents against the prevailing statutory criteria, and therefore, renders the Kugele '881 and '845 patents void, invalid and unenforceable.

25. On information and belief, Plaintiff has unfairly competed with Defendants by misusing its patents. Plaintiff wrongfully attempted to enforce its patents which Plaintiff knew, or should have known, were invalid. On information and belief the applicant, its attorneys, or its assignees knew that the patents did not teach preparation of a single pure compound but instead a complex mixture containing known organotin heat stabilizers. Regardless of this knowledge, the applicants represented to the examiner that the mixture did result in a pure compound. In addition, after procuring the patents from the Patent Office on the basis that the patents taught the procedure for mixing a pure compound, Plaintiff attempted to enforce the patents which it knew, or should have known was invalid.

(a) By way of example, and on information and belief, Plaintiff approached its competitors, including Cardinal, and informed them they were infringing the '881 and '845 patents. However, Plaintiff was, and still is, unable to demonstrate the existence of the claimed compounds or any way to determine infringement of any of the alleged infringers. Regardless of its inability to deter-

mine infringement, Plaintiff instituted lawsuits against its major competitors.

(b) After filing the lawsuit against Cardinal, Morton contacted a number of Cardinal's sales representatives and threatened litigation against them. In addition to threats of litigation, Morton included statements in the letters that indicated that Cardinal was financially unstable and possibly couldn't satisfy the damage judgment in the pending infringement litigation.

(c) The totality of Morton's conduct in its business practices in pursuing licenses and the litigation of patents which it knew, or should have known, were invalid consists of misuse of its patents.

26. On information and belief, U.S. Letters Patent Nos. 4,061,881 and 4,120,845 have been held invalid by the U.S. District Court for the Eastern District of Louisiana and, therefore, Plaintiff is collaterally estopped from asserting the validity of the patents in this case. Morton knew or should have known that it was collaterally estopped once the patents were held invalid and, thus, have pursued this litigation against Defendants in bad faith.

(a) After the District Court for the Eastern District of Louisiana held the patents invalid, Morton appealed to the Court of Appeals for the Federal Circuit. The Court of Appeals for the Federal Circuit affirmed the non-infringement judgment. Morton then petitioned the Court of Appeals for the Federal Circuit for rehearing on the issues of validity and infringement which was denied, resulting in a final judgment against Plaintiff on the '881 and '845 patents.

27. On information and belief, during the reexamination of U.S. Letters Patent Nos. 4,062,881 and 4,120,845, Morton misrepresented prior art to the Patent Office and failed to fulfill their uncompromising duty to disclose and candidly present to the Patent and Trademark Office evidence

which was in Morton's possession after the trial in the U.S. District Court for the Eastern District of Louisiana in *Morton Thiokol v. Argus*, 84-5685 (E.D.La. 1988).

(a) By way of example, and on information and belief, Morton knew of testimony about the Jennings patent, one of the key prior art references cited by the Patent Examiner, Morton also knew that comparative test data relied on in the patent could not be accurate. Even after Defendants specifically requested that Plaintiff comply with its duty to bring such information to the attention of the Examiner, Morton failed to disclose the pertinent information to the Patent Office, and thus failed to fulfill its duty of candor to the Patent Office.

28. Defendants assert that the Amended Complaint fails to state a claim upon which relief can be granted.

#### COUNTERCLAIMS

29. In its Amended Complaint, Plaintiff alleges that it is a corporation organized and existing under the laws of the State of Delaware having its principal place of business at 100 N. Wacker Drive, Chicago, Illinois 60606.

30. Defendant, W.M. QUATTLEBAUM, III, resides within this district at 47 Upper Pond Road, Columbia, South Carolina 29223, and is a limited partner of the Defendant CARDINAL CHEMICAL COMPANY.

31. Defendant, CARDINAL MANUFACTURING CORPORATION, is a partnership existing and operating under the laws of the State of South Carolina and has a regular and established place of business in this district at 2010 S. Belt Line Boulevard, Columbia, South Carolina 29201.

32. Defendant, CARDINAL STABILIZERS, is a partnership existing and operating under the laws of the State of South Carolina and has a regular and established place of business in this district at 2010 S. Belt Line Boulevard, Columbia, South Carolina 29201.



33. Defendant, DOROTHY QUATTLEBAUM, resides in the country of England at Arundel Oast, Maypole Road, Goudhurst, Cranbrook, Kent, England TN 17 1DS, and is a partner of Defendant CARDINAL CHEMICAL COMPANY.

34. Jurisdiction of this counterclaim arises under the Federal Declaratory Judgment Act, 28 U.S.C. § 2201 and § 2202 and under the patent laws of the United States, 35 U.S.C. § 101, § 102, § 103 and § 112 and 28 U.S.C. § 1338.

35. This counterclaim arises from an actual and justiciable controversy between Plaintiff and Defendants as to alleged infringement of the claims of United States Letters Patent Nos. 4,061,881 and 4,120,845 which Plaintiff claims it owns. Specifically, Plaintiff has charged Defendants with infringement of these patents.

36. Defendants assert that Plaintiff's United States Letters Patent Nos. 4,062,881 and 4,120,845 are not infringed by Defendants and that no act of Defendants is in any way a violation of said patents.

37. Defendants assert that the Amended Complaint fails to state a claim upon which relief can be granted.

38. This counterclaim states a claim arising under the patent laws, Title 35, United States Code, and is an action for declaratory judgment of patent invalidity, unenforceability, and noninfringement under title 28 U.S.C. §§ 2201, 2202 and 1338(a).

39. Defendants assert that Plaintiff's United States Letters Patent Nos. 4,062,881 and 4,120,845 are not infringed, unenforceable, void and invalid for the reasons more fully set forth in Paragraphs 19-28 of the affirmative defenses set forth hereinabove, which paragraphs are hereby incorporated by reference with the same force and effect as if the allegations thereof had been set forth in the full herein.

### PRAYER

WHEREFORE, Defendants pray the entry of a judgment providing:

- 1) That United States Letters Patent Nos. 4,062,881 and 4,120,845 are not infringed and have not been infringed by any acts committed by Defendants.
- 2) That United States Letters Patent Nos. 4,062,881 and 4,120,845 are invalid, void and unenforceable.
- 3) For a judgment of attorneys fees and expenses incurred in defense of this patent infringement suit.
- 4) For a judgment of damages to Defendants for Plaintiff's misuse of its patents.
- 5) For dismissal of the Amended Complaint.
- 6) For any other relief this Court deems appropriate.

Respectfully submitted,

/s/ William O. Sweeny, III, by Kenneth E. Young

William O. Sweeny, III

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Nelson, Mullins, Riley

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Dated: April 16, 1990

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# PORTIONS OF HEARING TRANSCRIPT

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[32] the presumption of validity. We're talking about validity. We're talking about 1974. We're talking about a situation in which it is defendant's burden to prove by clear and convincing evidence, pursuant to section 112 that the patents are invalid. And they haven't even started on that burden. It is an issue we have every right to try. We have our view; we presented our view of the facts. For the sake of this motion, defendants can call them self-serving, but under the law, *Anderson* and the like, it is clear our facts must be taken as true. We'd like the opportunity, we believe we are entitled to the opportunity to prove that Cardinal infringes. Their burden, that burden they're going to have to do at trial to attempt to overcome the presumption of validity, that is intact following the vacation by the Federal Circuit.

THE COURT: All right, anything else for the record, either side? All right.

I'm inclined not to grant the motion for summary judgment, although after reading it, I must admit it had a lot more merit than I thought. I think it is a very close question. And I do think the findings of the Circuit Court are binding on this Court and I think they put Morton in a box. It will be interesting to see how you get out of it.

MR. COONS: Your Honor, if I could add one thing, not with respect to the motion, but what I'd like to do is

• • • •

[34] trial court record and that transcript and determine what is going to be capable of being used or not. What Mr. Schill, I think has done, and probably makes sense

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[Pursuant to a district court order dated October 23, 1992, the confidential designation of these documents has been removed.]

because there is no cross-examination and those sorts of things, that he is attempting to look at it from his viewpoint, with respect to attempting to promulgate admissions, requests for admissions, and that sort of thing. But in terms of the background, I think you would want to hear from Dr. Kuivila, I think you would want to hear from the people who were working in the field at the time, how this invention came about. But the story is not going to be any different than is set forth in that regard anyway in the Argus transcript.

THE COURT: We're not going to retry Argus.

MR. COONS: I understand that.

THE COURT: We're not going to do it. If I see that is where we're going, I'll direct a verdict right then and there. We're not going to do that; that would be a waste of this Court's time. So I'm going to have that Argus transcript memorized by the time we come to trial. So, we're not going to do that.

MR. COONS: Well we certainly don't have any intention, my point is with respect that it would be a duplication and the witnesses who testify prior to the experts, I think their testimony was over in about one day and then I think that we would turn to infringement side. [35] So I think by using the Argus transcript in that regard, we may almost jump directly into discussion of infringement which will be dealing with the expert testimony.

THE COURT: All right. I would like for both sides to adopt as much of that transcript as we can for the record in this case if it is at all possible to save some time. But we're not going to retry Argus to get another result. And like I say, I think the finding by the Circuit Court put you in a very difficult position, be interesting to see how you going to approach it. You're going to have to -

MR. COONS: Not sure, that is fine, Your Honor, I think I expressed-

THE COURT: Put you on notice, see how good a lawyer you are. Got Circuit Court decision that, and that Circuit Court decision those findings, of course, they adopted from the District Court, but they are binding on this Court. So-

MR. COONS: Well I guess those are from our viewpoint, as I expressed earlier, Your Honor, we don't see as much of a box.

THE COURT: I'm putting you on notice, I see it as a box. I don't see how you're going to get out of it. All right, what else can we do today?

I'm not going to grant the motion for summary [36] judgment at this time. I want to get the case over with. My Lord, got ten lawyers here, the cost, this thing is why courts get bad names. Thing has been going on for years, I want it over with, and I want to do it as economically as possible. This is an albatross, this case. So let's get it over with, and we're on target for September and I want to hear enough that when it goes up, it goes up one time. I don't want it to go up and come back down, too much been wasted already. So we'll build a record, let the Circuit Court, I'm sure the Circuit Court is going to decide the case anyway, but let's get enough of a record so they can make a final decision and won't come back down and this will be a ten year case. How old is it now, seven?

MR. SCHILL: Yes, Your Honor.

THE COURT: Let's build a record, do it right.

MR. SCHILL: May I have one last word?

THE COURT: Yes.

MR. SCHILL: I really feel, Your Honor, that you feel inclined that the Federal Circuit, that the lower court was right, and I think the findings the Federal Circuit adopted show that it was right also. Your Honor, I know this case had been going on for a long time; still the money that

JA- 58

is going to be expended to put on whatever trial is going  
to be put on here is very much of a burden on my client.

\* \* \* \*



(11)  
No. 92-114

Supreme Court, U.S.

FILED

17 1992

CLERK OF THE COURT

IN THE

**Supreme Court of the United States**

OCTOBER TERM, 1992

CARDINAL CHEMICAL COMPANY, a partnership,  
W.M. QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM,  
and W.M. QUATTLEBAUM, III, individuals,  
CARDINAL MANUFACTURING Co., and  
CARDINAL STABILIZERS, INC.,

*Petitioners,*

v.

MORTON INTERNATIONAL, INC.,

*Respondent.*

**On Writ Of Certiorari To The  
United States Court Of Appeals  
For The Federal Circuit**

**PETITIONERS' BRIEF ON THE MERITS**

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November 17, 1992

**QUESTION PRESENTED**

Whether the Court of Appeals for the Federal Circuit errs when it vacates a declaratory judgment holding an asserted patent invalid merely because it determines that the patent is not infringed.

## PARTIES TO PROCEEDING

All parties to the proceeding below are set forth in the caption to the case. Pursuant to Rule 29.1 of the Rules of this Court, petitioners state that none of them have any non-wholly owned subsidiaries, nor do they have any parent corporations.

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IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1992

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**No. 92-114**

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CARDINAL CHEMICAL COMPANY, a partnership,  
W.M. QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM,  
and W.M. QUATTLEBAUM, III, individuals,  
CARDINAL MANUFACTURING CO., and  
CARDINAL STABILIZERS, INC.,  
*Petitioners,*

v.

MORTON INTERNATIONAL, INC.,  
*Respondent.*

---

**On Writ Of Certiorari To The United States Court Of  
Appeals For The Federal Circuit**

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**PETITIONERS' BRIEF ON THE MERITS**

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**OPINIONS BELOW**

The opinion of the United States Court of Appeals for the Federal Circuit is reported at 959 F.2d 948 (Fed. Cir. 1992) and 22 U.S.P.Q.2d (BNA) 1231 and reproduced in Appendix A to the Petition for a Writ of Certiorari ("Pet. App.") at 1a-15a. The opinion of Chief Judge Nies of the Federal Circuit dissenting from the orders declining suggestions for rehearing in banc is reported at 967 F.2d 1571 (Fed. Cir. 1992)

and 23 U.S.P.Q.2d (BNA) 1362; it is reproduced in Pet. App. B at 16a-31a. The opinion and order of the district court, entered December 12, 1990, is not reported; the public version of the opinion is reproduced in Pet. App. C at 32a-70a.

### JURISDICTION

The judgment of the Court of Appeals was entered on March 20, 1992. The petitions for rehearing were denied on April 17, 1992. Pet. App. D-E at 71a-72a. The Petition for a Writ of Certiorari was filed on July 16, 1992 and granted on October 5, 1992. 61 U.S.L.W. 3219 (U.S. Oct. 5, 1992) (No. 92-114). This Court has jurisdiction to review the judgment of the Court of Appeals pursuant to 28 U.S.C. § 1254(1).

### STATUTORY PROVISIONS INVOLVED

The Declaratory Judgment Act, 28 U.S.C. § 2201, provides in pertinent part:

(a) In a case of actual controversy within its jurisdiction, except with respect to Federal taxes other than actions brought under section 7428 of the Internal Revenue Code of 1986, [26 U.S.C. § 7428] a proceeding under section 505 or 1146 of title 11 [11 U.S.C. § 505 or 1146], or in any civil action involving an antidumping or countervailing duty proceeding regarding a class or kind of Canadian merchandise, as determined by the administering authority, any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further

relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

### STATEMENT OF THE CASE

The Respondent, Morton International, Inc. ("Morton" or "Respondent"), filed the present suit on April 12, 1983 in the United States District Court for the District of South Carolina alleging infringement by Petitioner Cardinal Chemical Company et. al. ("Cardinal" or "Petitioner") of United States Patents 4,062,881 ("the '881 patent") and 4,120,845 ("the '845 patent"). The claims of Morton's patents cover certain organotin compounds. Cardinal filed a counterclaim pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201, seeking a declaration that Morton's patents were invalid. Joint Appendix ("J.A.") at 8 and 53.

While the present suit was pending, Morton sued Argus Chemical Corporation ("Argus") in the United States District Court for the Eastern District of Louisiana for infringement of the same two patents. After a trial on the merits in that case, the court found Morton's patents to be invalid and not infringed. *Morton Thiokol, Inc. v. Witco Chemical Corp. and Argus Chem. Corp.*, No. 84-5685 (E.D. La. 1988); J.A. at 36. On appeal, the Court of Appeals for the Federal Circuit ("Federal Circuit") affirmed the finding of noninfringement and vacated the finding of invalidity. *Morton Thiokol, Inc. v. Argus Chem. Corp.* 11 U.S.P.Q.2d (BNA) 1152 (Fed. Cir. 1989) (non-precedential); J.A. at 38.<sup>1</sup>

<sup>1</sup> Morton has filed a third suit alleging infringement of its

Subsequently, the present suit went to trial. The district court found the patents not infringed and granted Cardinal's request for declaratory judgment that the patents were invalid. Pet. App. C at 70a. The patents were found invalid on the same grounds as they had previously been found invalid by the *Argus* court. J.A. at 36. The court, however, denied Cardinal's request for a finding that the case was exceptional under 35 U.S.C. § 285. Pet. App. C at 69a-70a.

Morton appealed the district court's decision on the issues of validity and infringement and Cardinal cross-appealed the determination of exceptional case to the Federal Circuit. The Federal Circuit affirmed the district court's finding of noninfringement, but vacated the declaratory judgment of invalidity. As justification for its decision, the court stated:

Since we have affirmed the district court's holding that the patents at issue have not been infringed, we need not address the question of validity. *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517, 3 U.S.P.Q.2d 1094, 1100 (Fed. Cir. 1987). Accordingly, we vacate the holding of invalidity.

Pet. App. A at 9a.<sup>2</sup>

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patents, *Morton Int'l, Inc. v. Atochem N. America, Inc.*, No. 87-60-CMW (D. Del.). That case is presently stayed pending the disposition of this proceeding.

<sup>2</sup> Because the court did not reach the validity issue it could not properly evaluate the egregiousness of Morton's continued suit against Cardinal on an invalid patent and therefore denied Cardinal's claims for an exceptional case award under 35 U.S.C. § 285. Pet. App. A at 9a-10a.

Both Morton, the patent owner, and Cardinal, the accused infringer, petitioned the panel for rehearing arguing that the court should have reached the validity issue. Both petitions were denied. Pet. App. D-E at 71a-72a. Following the panel's denial of the petitions for rehearing, the full court, by a divided vote, denied both parties' suggestions for rehearing in banc. Pet. App. F-G at 73a-74a. Chief Judge Nies, and Judges Rich and Lourie dissented from the denial of rehearing in banc, with Chief Judge Nies issuing a separate dissenting opinion. Pet. App. B at 16a-31a.

The court's decision to vacate the finding of invalidity was not an isolated incident. The Federal Circuit began to review declaratory judgments on the issue of patent validity soon after it was given exclusive subject matter jurisdiction over patent appeals, 28 U.S.C. § 1295(a)(1). Initially, the court routinely reviewed judgments as to validity before or in conjunction with judgments of noninfringement. *See, e.g., Mannesmann Demag Corp. v. Engineered Metal Prod.*, 793 F.2d 1279 (Fed. Cir. 1986).

On June 16, 1987, the Federal Circuit issued two decisions which dramatically departed from this practice. Those decisions held that in cases in which the accused infringer has obtained a declaratory judgment on validity, the court's holding of non-infringement renders the issue of validity "moot" and requires that the declaratory judgment be vacated. *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517 (Fed. Cir. 1987); *Fonar Corp. v. Johnson & Johnson*, 821 F.2d 627, 634 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1027 (1988).

Since *Vieau* and *Fonar*, the Federal Circuit has routinely vacated declaratory judgments finding pat-



ents invalid and not invalid<sup>3</sup> once it has determined that there was no infringement. See, e.g., *Sun-Tek Indus., Inc. v. Kennedy Sky Lites, Inc.*, 848 F.2d 179, 183 (Fed. Cir. 1988), cert. denied, 488 U.S. 1009 (1989) (vacated declaratory judgment of invalidity); *Advance Transformer Co. v. Levinson*, 837 F.2d 1081, 1084 (Fed. Cir. 1988) (vacated declaratory judgment of invalidity); *Environmental Instruments, Inc. v. Sutron Corp.*, 877 F.2d 1561, 1566 (Fed. Cir. 1989) (vacated declaratory judgment finding patent not invalid).

The court's practice in this regard has developed into a *per se* rule which has been the subject of significant criticism. See J. Re and W. Rooklidge, *Vacating Patent Invalidity Judgments Upon an Appellate Determination of Noninfringement*, 72 J. Pat. & Trademark Off. Soc'y 780 (1990); R. Harmon, *Patents & the Federal Circuit*, 551-54 (2d ed. 1991); J. Donofrio, *The Disposition of Unreviewable Judgments by the Federal Circuit*, 73 J. Pat. & Trademark Off. Soc'y 462 (1991); H. Wegner, *Morton, The Dual Loser Patentee: Frustrating Blonder-Tongue*, 74 J. Pat. & Trademark Off. Soc'y 344 (1992). It is this practice, as applied in the present proceeding to vacate a declaratory judgment of invalidity, which was the subject of Cardinal's Petition for A Writ of Certiorari granted by this Court.

#### SUMMARY OF ARGUMENT

The Federal Circuit's practice of routinely vacating declaratory judgments of patent invalidity is erro-

<sup>3</sup> Under Federal Circuit precedent patents are not adjudged "valid," but are found "not invalid." *Environmental Designs, Ltd. v. Union Oil Co. of Cal.*, 713 F.2d 693, 699 n.9 (Fed. Cir. 1983), cert. denied, 464 U.S. 1043 (1984).

neous. The practice is predicated upon a misinterpretation of the decisions of this Court which has resulted in an unjustified extension of those decisions. The court has also failed to recognize the fundamental distinction between jurisdictional and prudential mootness, and by so doing has turned what should be a discretionary decision into a *per se* practice.

An examination of the prudential factors the Federal Circuit should consider in deciding whether to reach the issue of patent validity reveals that the challenged practice is clearly an abuse of discretion. The practice subverts the most basic principles of the Declaratory Judgment Act by depriving accused infringers of their district court judgment of invalidity and patent owners of a definitive judgment. It also undermines the concerns addressed by this Court in decisions such as *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971), by permitting relitigation of previously invalidated patents. Finally, the practice frustrates and devalues patent laws by permitting maintenance of tainted patents.

The erroneous nature of the Federal Circuit's practice is starkly illustrated by the anomalous situation produced in this case. The patents at issue had already been found invalid by one district court at the time this case went to trial. Morton, however, was not precluded from asserting those patents because the district court's finding of invalidity was vacated by the Federal Circuit pursuant to the practice presently under review. After incurring substantial litigation costs, Cardinal prevailed on its declaratory judgment claim only to have that second judgment of invalidity vacated by the Federal Circuit. Morton's

third action alleging infringement of these patents, with their presumption of validity accorded under 35 U.S.C. § 282, is now pending before the Delaware district court.

### ARGUMENT

The Federal Circuit should have reached the issue of patent validity in this case. Contrary to the view of the Federal Circuit, the precedent of this Court supports reaching the merits of patent validity even after a finding of noninfringement when, as in this case, the issue is raised in a declaratory judgment claim. In addition, the prudential factors the Federal Circuit must consider in cases such as this one compel the conclusion that declaratory judgments on the issue of patent validity should be reviewed by the Federal Circuit in almost every circumstance in which it is raised on appeal.

#### I. THE PRACTICE OF THE FEDERAL CIRCUIT IS BASED ON MISINTERPRETATIONS OF THE DECISIONS OF THIS COURT AND THE MOOTNESS DOCTRINE

Although the Federal Circuit does not recognize these distinctions, its practice of vacating validity determinations falls into three categories: (1) cases such as this one in which the court vacates declaratory judgments finding the patent invalid;<sup>4</sup> (2) cases in which the court vacates a declaratory judgment find-

<sup>4</sup> *Vieau*, 823 F.2d at 1517; *Advance Transformer*, 837 F.2d at 1084; *Sun-Tek*, 848 F.2d at 183; *Freeman v. Minnesota Mining and Mfg. Co.*, 13 U.S.P.Q.2d (BNA) 1250, 1252 (Fed. Cir. 1989), cert. denied, \_\_\_ U.S. \_\_\_, 110 S.Ct. 1794 (1990) (non-precedential); *Morton Thiokol, Inc. v. Argus Chem. Corp.*, 11 U.S.P.Q.2d (BNA) 1152, 1153 (Fed. Cir. 1989) (non-precedential).

ing the patent not invalid;<sup>5</sup> and (3) cases in which the court vacates validity determinations raised as an affirmative defense.<sup>6</sup> There are still other cases in which the court applied the practice, but it is unclear from the opinions in those cases as to which category they belong.<sup>7</sup> It is rare, however, that an accused infringer will not raise invalidity as both an affirmative defense and a counterclaim for declaratory judgment. Although this brief will address all three categories, it is the first category which is at issue in this case.

The Federal Circuit predicates its practice of routinely vacating judgments on patent validity primarily upon the decisions of this Court in *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U.S. 241 (1939)

<sup>5</sup> *Fonar*, 821 F.2d at 634; *Environmental Instruments*, 877 F.2d at 1568; *Pfaff v. Wells Elec. Inc.*, 12 U.S.P.Q.2d (BNA) 1158, 1159 (Fed. Cir. 1989) (non-precedential); *Specialized Electronics Corp. v. Aviation Supplies*, 12 U.S.P.Q.2d (BNA) 1918, 1921 (Fed. Cir. 1989) (non-precedential); *Neville Chemical Co. v. Resinall Corp.*, 1990 U.S. App. LEXIS 16549 at \*5 (Fed. Cir. 1990) (non-precedential).

<sup>6</sup> *Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931, 939 (Fed. Cir. 1987). Indication that validity raised as affirmative defense can be found in the district court opinion. *Pennwalt Corp. v. Durand-Wayland, Inc.*, 225 U.S.P.Q. (BNA) 558 (N.D. Ga. 1984).

<sup>7</sup> *Julien v. Zeringue*, 864 F.2d 1569, 1571 (Fed. Cir. 1989); *Senmed, Inc. v. Richard-Allan Medical Indus.*, 888 F.2d 815, 821 (Fed. Cir. 1989); *Wilson Sporting Goods Co. v. David Geoffrey & Assoc.*, 904 F.2d 677, 687 (Fed. Cir. 1990); *Winner Int'l Corp. v. Wolo Mfg. Corp.*, 905 F.2d 375, 377 (Fed. Cir. 1990); *Shat-R-Shield, Inc. v. Trojan, Inc.*, 1992 U.S. App. LEXIS 9860, \*6-\*7 (Fed. Cir.), cert. denied, \_\_\_ U.S. \_\_\_, 61 U.S.L.W. 3261 (1992) (non-precedential).



and *Altvater v. Freeman*, 319 U.S. 359 (1943). Specifically, the Federal Circuit has interpreted these cases as holding that the issue of patent validity becomes "moot" upon the appellate court's finding that the patent in issue is not infringed and that the controversy raised by the counterclaim does not extend beyond the patentee's infringement claim. *Vieau*, 823 F.2d at 1517-1521 (J. Bennett, concurring); *Fonar*, 821 F.2d at 634; *Sun-Tek*, 848 F.2d at 183; *Advance Transformer*, 837 F.2d at 1084.

As demonstrated below, an examination of *Electrical Fittings* and *Altvater* and the doctrine of mootness reveal that the Federal Circuit is not required to vacate declaratory judgments of invalidity upon a finding of noninfringement. Indeed, these cases and the prudential factors inherent in the validity issue support the conclusion that the issue of validity should be reached in virtually every case.

The Federal Circuit's practice is based upon a progression of misinterpretations leading to an erroneous conclusion. First, the court's opinions do not take into consideration the significance of the critical distinction this Court drew in *Altvater* between cases in which the question of validity is raised as an affirmative defense and cases, such as this one, in which validity is raised by means of a counterclaim for declaratory judgment. Secondly, the court interprets *Altvater* too broadly by failing to recognize that the case involves principles of licensee estoppel which are now obsolete. Finally, the Federal Circuit's application of the doctrine of mootness is self-contradictory as it fails to appreciate the distinction between jurisdictional and prudential mootness.

This Court first addressed the question of the disposition of validity determinations when the court finds no infringement in *Electrical Fittings*. In that case the district court found the patent at issue to be valid, but not infringed by the defendant. The validity issue was raised only as an affirmative defense. *Thomas & Betts Co. v. Electrical Fittings Corp.*, 23 F. Supp. 920 (S.D.N.Y. 1938). The defendant appealed the district court's decision finding the patent valid. The Second Circuit dismissed the appeal on the ground that the defendant had been awarded all of the relief to which it was entitled. *Thomas & Betts Co. v. Electrical Fittings Corp.*, 100 F.2d 403 (2d Cir. 1938).

On review, this Court reversed the holding of the Second Circuit. The Court did not reach the merits of the validity issue, but held that because the district court had found that the defendant had not infringed the patent, the court should not have reached the question of validity. Accordingly, the Court instructed the district court to vacate the portion of the judgment which adjudicated the patent valid. *Electrical Fittings*, 307 U.S. at 242-43.

The Court found it necessary to address this issue again in *Altvater*. In that proceeding the defendants were sued for specific performance of a license agreement under a patent. The defendants counterclaimed for a declaratory judgment finding one patent invalid. The district court found that defendants had not infringed the patent and, thus, had not breached the license agreement. The court also ruled on the counterclaim finding that the patent was invalid. The Eighth Circuit affirmed the finding of noninfringement. Relying on *Electrical Fittings*, however, the



court ruled that as a result of the finding of no infringement "there then remained no justiciable controversy," and, therefore, ordered the judgment of invalidity vacated. *Freeman v. Altvater*, 130 F.2d 763, 765 (8th Cir. 1942).

This Court granted certiorari "because of the apparent misinterpretation by the Circuit Court of Appeals of our decision in *Electrical Fittings* . . ." *Altvater*, 319 U.S. at 363. The Court then proceeded to reverse the Court of Appeals. In so doing the Court distinguished the case before it from *Electrical Fittings*, stating:

That case [*Electrical Fittings*] was tried only on bill and answer. The District Court adjudged a claim of a patent valid although it dismissed the bill for failure to prove infringement. We held that the finding of validity was immaterial to the disposition of the cause and that the winning party might appeal to obtain a reformation of the decree. To hold a patent valid if it is not infringed is to decide a hypothetical case. [footnote omitted] But the situation in the present case is quite different. We have here not only bill and answer but a counterclaim. Though the decision of non-infringement disposes of the bill and answer, it does not dispose of the counterclaim which raises the question of validity.

*Id.*

Based upon this distinction, the Court went on to find that:

[T]he issues raised by the present counterclaim were justiciable and that the controversy between the parties did not come to an end [citation omitted] on the dismissal of the bill for non-infringement, since their dispute went beyond the single claim and the particular accused devices involved in that suit.

*Id.* at 363-64.

The Federal Circuit interprets these decisions as supporting its practice of vacating validity determinations upon a finding of noninfringement as explained by Judge Bennett in his concurrence in *Vieau*:

Thus, the precedent from the Supreme Court and this court makes clear that when a cross-appeal on a counterclaim seeking a declaratory judgment on validity remains following a determination of non-infringement by the appellate court, an inquiry into whether there is a continuing case or controversy should be made in order to determine if the validity issue raised by the cross-appeal should be considered by the appellate court. The appellate court need go on to rule on the merits of the cross-appeal only if there is a continuing dispute . . . .

*Vieau*, 823 F.2d at 1520 (J. Bennett, concurring).

**A. The Federal Circuit Does Not Properly Distinguish Between Validity When Raised As An Affirmative Defense And When Raised In A Declaratory Judgment Counterclaim**

The Federal Circuit's incorrect interpretation of *Electrical Fittings* and *Altvater* begins when it fails to recognize the distinction *Altvater* makes between

the question of validity when raised as an affirmative defense and when raised as a counterclaim for declaratory judgment. In *Altwater* this Court found that a counterclaim for a declaratory judgment as to validity should not be treated the same as an affirmative defense which asserts that the patent is invalid. This fact was what distinguished *Altwater* from *Electrical Fittings*: "[b]ut the situation in the present case is quite different. We have here not only bill and answer but counterclaim." *Altwater*, 319 U.S. at 363.

The reason for this distinction is quite obvious. No defendant in any lawsuit has the right to an adjudication of issues raised by way of affirmative defenses if the plaintiff has failed to establish a *prima facie* case. See Markey, *On Simplifying Patent Trials*, 116 F.R.D. 369, 377 (1987) ("[w]ithout infringement, there is no case or controversy on the validity defense, and a patentee that has not carried its burden of proving infringement has no right or reason to remain in the trial court"); see also Pet. App. B at 26a n. 7. The right to obtain a declaratory judgment, on the other hand, is not contingent upon the plaintiff's ability to establish a *prima facie* case, but depends upon the existence of an "actual controversy." *United Public Workers v. Mitchell*, 330 U.S. 75, 116 (1947).

The importance of this distinction has been lost on the Federal Circuit. For instance, the Federal Circuit has instructed lower courts that they should always decide both infringement and validity. *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1540-41 (Fed. Cir. 1983) ("[w]hen presented with patent validity and infringement issues, trial courts should, as Judge Boyle did here, decide both"). This instruction fails to rec-

ognize that if the plaintiff has failed to make a *prima facie* case on infringement, *Electrical Fittings* requires that the court not adjudge the patent not invalid when validity has only been raised by means of an affirmative defense. See *Deposit Guaranty Nat'l Bank v. Roper*, 445 U.S. 326, 335-36 (1980) ("The District Court [in *Electrical Fittings*] was correct in inquiring fully into the validity of the patent, *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 330 (1945), but was incorrect to adjudge the patent valid after ruling that there had been no infringement. By doing so, the District Court had decided a hypothetical controversy").

The Federal Circuit consistently vacates determinations on the issue of validity without regard to whether the validity issue was raised by way of an affirmative defense or a declaratory judgment counterclaim. Compare *Environmental Instr.*, 877 F.2d at 1566 (practice applied to vacate judgment on counterclaim) with *Pennwalt*, 833 F.2d at 939 (practice applied to vacate finding that patent was not invalid based on affirmative defense of invalidity). In fact as noted previously, in many of the cases in which the practice is invoked, one cannot even ascertain from the court's opinion the context in which the validity issue came into controversy. See Footnote 6.

Because *Electrical Fittings* clearly requires vacatur upon a finding of noninfringement if the validity issue was raised and addressed in the form of an affirmative defense, and *Altwater* teaches that the court should treat validity differently when raised as a counterclaim, the Federal Circuit's failure to recognize the distinction impairs its analysis from the outset. In the rare cases in which validity is raised solely



as an affirmative defense, the Federal Circuit's practice of vacating validity determinations is in keeping with *Electrical Fittings*. In cases such as this one, however, where validity is the subject of a declaratory judgment claim, the Federal Circuit is obliged by *Altwater*, and by other considerations discussed herein, to review the validity determination in almost all circumstances.

#### B. The Federal Circuit Interprets *Altwater* Incorrectly

The Federal Circuit also interprets *Altwater* too broadly by failing to recognize that the decision, in the words of Chief Judge Nies of the Federal Circuit, is "interlaced with principles of licensee estoppel." Pet. App. B at 21a. Recognition of the role licensee estoppel plays in *Altwater* is important because, as noted above, the Federal Circuit reads *Altwater* as requiring that a continuing case or controversy exist beyond the scope of the patentee's complaint before it can consider the merits of the district court's decision on validity. *Vieau*, 823 F.2d at 1520 (J. Bennett, concurring). This interpretation stems from the statement in *Altwater* that the issues raised by the counterclaim were justiciable "since their dispute went beyond the single claim and the particular accused devices involved in that suit." *Altwater*, 319 U.S. at 364. This portion of *Altwater*, however, is not germane to the case or controversy analysis.

As noted above, the underlying cause of action in *Altwater* was for specific performance of a patent license agreement. Under the principles of licensee estoppel in effect at the time, a "licensee under a patent license agreement may not challenge the validity of the licensed patent in a suit for royalties due under

the contract." *Automatic Radio Mfg. Co. v. Hazeltine Research*, 339 U.S. 827, 836 (1950), (citing *United States v. Harvey Steel Co.*, 196 U.S. 310 (1905)). Thus, under the doctrine, a licensee is permitted to attack the validity of the patent only in certain limited circumstances. See, e.g., *Edward Katzinger Co. v. Chicago Metallic Mfg. Co.*, 329 U.S. 394 (1947) (licensee estoppel not applied in light of price-fixing provision of license).

As Chief Judge Nies points out in her dissent from the orders declining the suggestions for rehearing in banc, *Altwater* came twenty-five years before this Court overruled the doctrine of licensee estoppel in *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969) for this reason:

[T]he discussion of case or controversy must be read in the context of that age—a time when a licensee had to base its declaratory judgment claim on a controversy beyond the patentee's assertion of a right to royalties under the license.

Pet. App. B at 21a.

It is questionable whether the portion of *Altwater* addressing additional claims or devices was even intended at the time as a limitation on whether a case or controversy continued to exist. The comment regarding additional claims and devices was what led the court to decide in that case that a continuing case or controversy existed. It was intended to be illustrative, not restrictive, of the application of the more general principle that a counterclaim is different from an affirmative defense. This view is shared by courts which have interpreted *Altwater* as holding that the



mere existence of the counterclaim is sufficient to create a case or controversy regardless of whether it extends beyond the accused articles and claims. See *Burgess & Assoc., Inc. v. Klingensmith*, 487 F.2d 321, 324 (9th Cir. 1973) ("Our holding that Klingensmith's devices do not infringe the '738 patent does not render moot the question of the patent's validity, since its validity is challenged in Klingensmith's counterclaim"); *Puett Elec. Starting Gate Corp. v. Harford Agricultural & Breeders' Ass'n*, 88 F. Supp. 360, 371-72 (D. Md. 1949).

Nevertheless, even if the statement was relevant to the existence of a continuing case or controversy, it was relevant only to the extent that it established that the licensee had standing to challenge the patent's validity in spite of the strictures of the doctrine of licensee estoppel. As noted by Chief Judge Nies, the demise of the doctrine of licensee estoppel means that the requirement of additional claims or devices beyond those alleged in the complaint is no longer germane to the interpretation of *Altvater*. Pet. App. B at 21a-22a.

The necessity of interpreting *Altvater* narrowly in light of the inapplicability of licensee estoppel is best illustrated by the absurd result which follows from the broad interpretation of the Federal Circuit. Under the Federal Circuit's interpretation, an accused infringer can obtain a declaratory judgment for claims of the patent that were not asserted in the underlying suit, but not for those claims that were, even though "the patentee's suit in itself shows that a controversy rages as to the asserted patent claims." Pet. App. B at 21a.

The Federal Circuit, however, does not even adhere to its interpretation of *Altvater*. Despite the Court's statement that "an inquiry into whether there is a continuing case or controversy should be made in order to determine if the validity issue raised by the cross-appeal should be considered by the appellate court," *Vieau*, 823 F.2d at 1520 (J. Bennett, concurring), in reality no such inquiry takes place. As discussed in more detail in section II. A. of this brief, the Federal Circuit's practice of vacating validity determinations is automatic. The court makes no inquiry into the existence of a continuing case or controversy, but dispenses with the validity issue in each instance by invoking the policy and citing to *Vieau* or *Fonar*. See, e.g., *Senmed, Inc. v. Richard-Allan Medical Indus.*, 888 F.2d 815, 817 n.4 (Fed. Cir. 1989); *Julien v. Zeringue*, 864 F.2d 1569, 1571 (Fed. Cir. 1989).

#### C. The Federal Circuit Misapplies The Doctrine Of Mootness

When first enunciating in *Vieau* the rationale for its practice of vacating declaratory judgments of invalidity, the Federal Circuit stated:

Since there is no indication in the present case that the controversy between the parties extends beyond the accused devices found to be non-infringing, this court properly exercises its discretion to dismiss the cross-appeal in this case as moot.

823 F.2d at 1521.

The above statement is self-contradictory. If there truly is no case or controversy, vacatur is not discretionary, but required. Conversely, if the court is exercising its discretion, it must be doing so for rea-

sons other than the lack of a case or controversy. As Chief Judge Nies noted in her dissent from the order declining the suggestion for rehearing in banc, the Federal Circuit's confusion in this regard results from the court's failure to discern the difference between "jurisdictional" mootness and "prudential" mootness. Pet. App. B at 22a-26a.

Jurisdictional mootness arises when the dispute underlying an issue no longer exists thereby depriving the court of jurisdiction over the case, i.e., there is no case or controversy. *Powell v. McCormack*, 395 U.S. 486, 496 n.7 (1969). When a case is jurisdictionally moot a court has no discretion and must dismiss for lack of jurisdiction. *Id.*; *Brownlow v. Schwartz*, 261 U.S. 216, 218-19 (1923). Prudential mootness, on the other hand, is not really mootness at all, but arises when a court chooses, as a matter of discretion, to address one dispositive issue rather than another.<sup>8</sup> See *United States v. Leon*, 468 U.S. 897, 924-25 (1984); *Penthouse Int'l v. Meese*, 939 F.2d 1011, 1019-20 (D.C. Cir. 1991); *Air Line Pilots Ass'n, Int'l v. UAL Corp.*, 897 F.2d 1394, 1397 (7th Cir. 1990). In vacating declaratory judgments of invalidity, the Federal Circuit confuses and, accordingly, improperly merges the two forms of mootness.

In order to pursue a claim for declaratory relief a party must be able to demonstrate the existence of an actual controversy over which a federal court may

<sup>8</sup> Prudential mootness has been described as the "cousin of the mootness doctrine. . . . a melange of doctrines relating to the court's discretion in matters of remedy and judicial administration." *Chamber of Commerce of the United States v. United States Dept. of Energy*, 627 F.2d 289, 291 (D.C. Cir. 1980).

exercise jurisdiction. "The controversy must be definite and concrete, touching the legal relations of parties having adverse legal interests." *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240-41 (1937). This Court has found that "[t]he difference between an abstract question and a 'controversy' contemplated by the Declaratory Judgment Act ['Act'] is necessarily one of degree, and it would be difficult, if it would be possible, to fashion a precise test for determining in every case whether there is such a controversy." *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941). If such a controversy is found not to exist, however, then the claim is jurisdictionally moot.

The Federal Circuit has recognized that "[c]ourts have interpreted the controversy requirement in the patent field to generally mean that the declaratory plaintiff has sufficient interest in the controversy and that there is a reasonable threat that the patentee or licensor will bring an infringement suit against the alleged infringer." *C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874, 879 (Fed. Cir. 1983). In such circumstances the court must make "a pragmatic judgment in the light of [the patentee's] entire course of action and all [the patentee's] relevant conduct, and with the awareness of the business realities that are involved." *Air-Vend, Inc. v. Thorne Indus., Inc.*, 625 F. Supp. 1123, 1127 (D. Minn. 1985) (citing *Sherwood Medical Indus., Inc. v. Deknatel, Inc.*, 512 F.2d 724, 728 (8th Cir. 1975)). As Chief Judge Nies explains: "[a] declaratory action for a judgment of invalidity is based on a fear of suit under the patent. Such fear is not dependent on being held *liable* for infringement." Pet. App. B at 26a-27a.



Thus, a case or controversy exists so long as a legitimate fear of suit exists. Extinguishment of liability as to certain allegations of an infringement suit does not necessarily equate to extinguishment of the fear of suit which forms the predicate for the declaratory judgment counterclaim. Indeed, "nothing short of the patentee's unconditional guarantee not to do so under any circumstances ordinarily will remove that apprehension and thereby jurisdictionally moot the claim for declaratory relief." Pet App. B at 27a.<sup>9</sup>

A number of cases illustrate the application of this principle. In *Bard*, an affidavit of the patentee that it had no intention of suing the declaratory plaintiff was insufficient to moot the asserted declaratory claim. *Bard*, 716 F.2d at 881. The entry of a stipulation and order dismissing a counterclaim of infringement and stipulating that the asserted patent had not been infringed has been found not to extinguish case or controversy in cases seeking declaratory judgment of invalidity. *Air-Vend*, 625 F. Supp. at 1128. In *Dale Electronics, Inc. v. R.C.L. Electronics, Inc.*, 488 F.2d 382 (1st Cir. 1973), the court found a defendant in a patent infringement suit was entitled to a determination on its counterclaim seeking a declaration that the patent was invalid despite the fact the patent holder withdrew its claims of infringement. *Id.* at 390.

<sup>9</sup> See *County of Los Angeles v. Davis*, 440 U.S. 625, 631 (1979) (case is moot only when "(1) it can be said with assurance that 'there is no reasonable expectation . . . that the alleged violation will recur . . . and (2) interim relief or events have completely and irrevocably eradicated the effects of the alleged violation'").

An attestation from a patent owner that it would never sue the declaratory judgment claimant was insufficient to moot the declaratory claim in *Wallace & Tiernan Inc. v. General Electric Co.*, 291 F. Supp. 217 (S.D.N.Y. 1968); see also *Shelcore, Inc. v. Durham Indus., Inc.*, 745 F.2d 621, 624 (Fed. Cir. 1984) ("By voluntarily dismissing with prejudice claim 13 of the '831 utility patent, Shelcore removed the issue of infringement of claim 13 from the trial court's consideration. But Shelcore could not unilaterally remove the validity issue because Durham's counterclaim put validity of all the claims in issue").

In this case Morton has made no representation to Cardinal that it does not intend to continue to enforce the subject patents. Indeed, Morton's decision to twice appeal declaratory judgments finding the subject patents invalid and to continue to pursue a third infringement suit under these patents in the United States District Court for the District of Delaware confirms that Cardinal's continued apprehension of suit under these patents is reasonable and has not been erased by the affirmance of the judgment of noninfringement.

These facts make it clear that the Federal Circuit's assumption that a finding of noninfringement eliminates the controversy underlying the declaratory judgment of invalidity is erroneous. Chief Judge Nies reached this conclusion in her dissent below stating: "[a] finding of noninfringement does not moot a declaratory claim for invalidity *jurisdictionally* regardless of the scope of the patentee's infringement suit." Pet. App. B at 26a (emphasis in original).

Cardinal's declaratory judgment counterclaim is also not jurisdictionally moot because the court of appeals



cannot jurisdictionally moot the claim by its own action. In *United States v. Munsingwear, Inc.*, 340 U.S. 36 (1950), this Court held that cases become jurisdictionally moot on appeal through events which occur "through happenstance" after the district court enters judgment, while the claim is on its way to the appellate court or pending the appellate court's decision. *Id.* at 40. *Munsingwear*, however, does not contemplate jurisdictional mootness created by the appellate court's decision to address one issue rather than another such as the Federal Circuit seems to assume. As the Seventh Circuit stated recently:

Although the word "moot" is sometimes used to refer to an issue that need not be decided in light of the resolution in the same opinion of another issue, *e.g.*, *Bazemore v. Friday*, 478 U.S. 385, 387 n.2, 106 S. Ct. 3000, 3002 n.2, 92 L.Ed.2d 315 (1986) (per curiam), it has never been thought that a court that does decide it thereby violates Article III's implied prohibition against deciding moot cases. *United States v. Leon*, 468 U.S. 897, 924-25, 104 S. Ct. 3405, 3421, 82 L.Ed. 2d 677 (1984); 13A Wright, Miller & Cooper, Federal Practice and Procedure § 3533, at p. 214 (2d ed. 1984).

*Air Line Pilots*, 897 F.2d at 1397; see also *Flast v. Cohen*, 392 U.S. 83, 97 (1968) ("Because [such] rules operate in 'cases confessedly within [the Court's] jurisdiction' [citation omitted] they find their source in policy, rather than purely constitutional considerations"); *Penthouse*, 939 F.2d at 1019 (Prudential mootness is concerned "not with the court's power under

Article III to provide relief, but with the court's discretion in exercising that power").

What this distinction means in cases such as this one was succinctly stated by Judge Lourie is his concurrence to the decision below:

[B]ecause this court is not a court of last resort, a holding of either invalidity or non-infringement by our court does not render the case moot because it is not over. Therefore, when both infringement and validity issues are presented on appeal, we can base our affirmance on both grounds, thereby leaving a complete judgment available for review by the Supreme Court. [footnote omitted]. We are not compelled to address both or to address them in any order. The power to choose one or the other is not a matter of policy, but of discretion, considering the circumstances of the individual case.

Pet. App. A at 12a-13a.

As the foregoing demonstrates, when the Federal Circuit is faced with the option of deciding the case on infringement, validity or both, its choice is not foreordained, but is a matter of discretion. As the remainder of this brief will illustrate, the Federal Circuit has discretion in cases such as this one and it should consider certain prudential factors in determining how to proceed.

## II. THE FEDERAL CIRCUIT'S PRACTICE IS AN ABUSE OF DISCRETION

The authority the Federal Circuit relies upon to support its practice of vacating declaratory judgments of invalidity, when it determines there is no infringe-

ment, reveals that the practice is not mandatory. If not mandatory, is the practice an appropriate exercise of discretion under the doctrine of prudential mootness?

In considering whether to apply the doctrine of prudential mootness courts should not utilize "inflexible, formalistic rules," but should proceed on a "case-by-case basis" examining "the feasibility or futility of effective relief should a litigant prevail." *In re AOV Industries, Inc.*, 792 F.2d 1140, 1147-48 (D.C. Cir. 1986). The doctrine should be applied only in those circumstances in which the controversy is "so attenuated that considerations of prudence and comity . . . counsel the court to stay its hand, and to withhold relief it has the power to grant." *Chamber of Commerce*, 627 F.2d at 291.

The Federal Circuit clearly is not applying these considerations on a case-by-case basis because the practice at issue is improperly utilized as a *per se* rule in every situation. Moreover, the relief sought in these cases, *i.e.*, a ruling on the validity of a patent, is neither "futile" nor "attenuated." The prudential factors implicated by the practice clearly demonstrate that a decision is not only feasible, but necessary.

#### A. The Practice Is Improperly Applied As A *Per Se* Rule

As discussed in Section I.C., Federal Circuit opinions indicate some confusion over whether the court believes its practice of vacating declaratory judgments of patent invalidity upon a finding of noninfringement is mandatory or discretionary. If the court believes it is exercising discretion, then it has not acted consistently with that belief. Vacatur of declaratory judgments of invalidity by the Federal Circuit is an

automatic, fixed practice.<sup>10</sup> As Chief Judge Nies has observed: "the precedent of this court now takes a 'one-size-fits-all' approach to treatment of the issue of validity." Pet. App. B at 23a. *See also Shat-R-Shield, Inc. v. Trojan, Inc.*, 1992 U.S. App. LEXIS 9860 (Fed. Cir.), *cert. denied* — U.S. —, 61 U.S.L.W. 3261 (1992) (vacatur of invalidity judgment referred to "usual practice"); *Gould v. Control Laser Corp.*, 866 F.2d 1391, 1397 (Fed. Cir. 1989) (J. Nichols, dissenting) (vacatur of invalidity judgment referred to as court's "established procedure").

As noted above, the doctrine of prudential mootness "cannot be cabined by inflexible, formalistic rules, but instead require a case-by-case judgment." *AOV*, 792 F.2d at 1147. In consistently relying on its "one-size-fits-all" approach, the Federal Circuit is not exercising discretion, but rather is improperly establishing a rule. It is a constant principle of law that "the application of a *per se* rule to a matter that requires the exercise of discretion would constitute reversible error." *Perez v. Ortiz*, 849 F.2d 793, 798 (2d Cir. 1988) (citing *Plunkett v. Johnson*, 828 F.2d 954, 956 (2d Cir. 1987)). As this Court has explained: "a rule applicable to all cases is not to exercise discretion. Such a rule ignores the differences which invoke discretion, and which can alone justify its exercise. . . ."

<sup>10</sup> Cardinal has only located two published decisions since *Vieau* and *Fonar* in which the court has not followed this practice: *Tol-O-Matic v. Proma Produkt-Und Marketing*, 945 F.2d 1546 (Fed. Cir. 1991) and *Consolidated Alum. Corp. v. Foseco*, 910 F.2d 804 (Fed. Cir. 1990). Neither case even acknowledges existence of the practice, let alone tries to distinguish *Vieau* and *Fonar*.



*United States ex. rel. Steinmetz v. Allen*, 192 U.S. 543, 563 (1904).

As the subsequent portions of this brief will demonstrate, there are a number of factors the court must consider in determining whether to reach the issue of validity. The Federal Circuit, by applying its practice in virtually every case, does not even allow itself the opportunity to consider these factors; this failure constitutes an abuse of discretion.

**B. The Practice Eviscerates The Remedy Afforded By The Declaratory Judgment Act**

As addressed in detail in the section on mootness, a case or controversy under the Declaratory Judgment Act clearly continues to exist in this action with respect to Cardinal's counterclaim despite the Federal Circuit's decision upholding the district court's finding of noninfringement. The factors which support the conclusion that a finding of noninfringement by the Federal Circuit does not moot the issue of validity also support the conclusion that the Federal Circuit should reach the issue of validity on appeal. The Federal Circuit abuses its discretion by ignoring these principles. Its practice also dramatically limits the intended effect of the Declaratory Judgment Act.

The Declaratory Judgment Act was enacted to provide a remedy to persons seeking a declaration of their rights in cases of actual controversy. 19 U.S.C. § 2201. It has been held that:

The two principal criteria guiding the policy in favor of rendering declaratory judgments are (1) when the judgment will serve a useful purpose in clarifying and settling the legal relations in issue, and (2) when it will ter-

minate and afford relief from uncertainty, insecurity and controversy giving rise to the proceeding.

*Grand Trunk Western R.R. Co. v. Consolidated Rail Corp.*, 746 F.2d 323, 326 (6th Cir. 1984) (quoting E. Borchard, *Declaratory Judgments* 299 (2d ed. 1941)).

Declaratory judgments are "indisputably appropriate" in patent cases. *Hanes Corp. v. Millard*, 531 F.2d 585, 592 (D.C. Cir. 1976). In *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731 (Fed. Cir. 1988), the Federal Circuit offered the following persuasive illustration of the value of declaratory judgments in the patent context:

This appeal presents a type of the sad and saddening scenario that led to the enactment of the Declaratory Judgment Act (Act), 28 U.S.C. § 2201. In the patent version of that scenario, a patent owner engages in a *danse macabre*, brandishing a Damoclean threat with a sheathed sword. [citation omitted]. Guerilla-like, the patent owner attempts extra-judicial patent enforcement with scare-the-customer-and-run tactics that infect the competitive environment of the business community with uncertainty and insecurity. [citation omitted]. . . . After the Act, those competitors were no longer restricted to an *in terrorem* choice between the incurrence of a growing potential liability for patent infringement and abandonment of their enterprises.

*Id.* at 734-35 (emphasis in original); see also *Goodyear Tire & Rubber Co. v. Releasomers*, 824 F.2d 953, 956



(Fed. Cir. 1987) (the purpose of the Declaratory Judgment Act "in patent cases is to provide the allegedly infringing party relief from uncertainty and delay regarding its legal rights").

In light of its recognition of the importance of declaratory judgments in the patent context, it is particularly ironic that the Federal Circuit, through its practice of routinely vacating such judgments, only allows an accused infringer to avail itself of the remedy of invalidating the patent in those situations in which it has first been found guilty of infringement. Because the court is not compelled by the mootness doctrine to vacate the validity question, it should exercise its discretion with a view towards effectuating the purposes of the Act. The facts of this case amply demonstrate that the purposes of the Act are best served by a review of validity determinations.

As the cases discussed in the arguments regarding mootness reveal, in actions in which validity has been raised in a declaratory judgment claim, a controversy can continue to exist even after claims of infringement have been abandoned or repudiated. *Bard*, 716 F.2d at 881; *Air-Vend*, 625 F. Supp. at 1128; *Dale Electronics*, 488 F.2d at 390. Among the factors found indicative of a continuing reasonable apprehension of an infringement suit in such circumstances are: the willingness of the patentee to be involved in other litigation related to the subject patent (*Bard*, 716 F.2d at 881); the apprehension of the threat of a patent infringement suit on other products being produced, marketed or intended to be produced and marketed which were not subject to the initial infringement allegations (*Air-Vend*, 625 F. Supp. at 1127-28); and

the fact that the allegedly invalid patent will remain a marketing device for the patentee if the declaratory judgment action is not permitted to proceed (*Id.* at 1128). The existence of these issues has compelled courts to reach the question of patent validity even when claims of infringement have been withdrawn or repudiated. Many of these factors are present in this case and their presence strongly suggests that it is appropriate for the Federal Circuit to reach the issue of validity.

In this action, Cardinal did not assert its counterclaim merely as an affirmative defense, but rather to obtain a declaration of its legal rights in the face of general threats from Morton regarding the infringement of Morton's patents. Recognizing this fact, the district court entered judgments on both the affirmative claim of infringement and the counterclaim of invalidity. The district court's decision was plainly correct as the facts of the case clearly indicate that Cardinal had a reasonable basis for maintaining its declaratory judgment claim. These considerations included the fact that after the *Argus* trial Morton wrote letters to Cardinal's distributors threatening legal action should the distributors continue to purchase the subject products from Cardinal. See District Court trial record ("T.R.") Testimony of Ross at Volume III, pp. 3-74 through 3-76 and T.R. Exhibit Nos. DTX-229 through DTX-247. Other considerations entailed the fact that Cardinal also manufactures and continues to develop products containing organotin compounds similar to those subject to Morton's infringement charges; that Morton continued to pursue its infringement action against Cardinal even after the patents in suit were found invalid by a Louisiana

district court, a judgment which was subsequently vacated by the Federal Circuit pursuant to the practice presently at issue in this action; and that Morton was pursuing a third infringement suit against Atochem North America.

The Federal Circuit did not consider any of these factors in this case because its "established practice" left no room for such analysis. In this case, application of the policy meant that the court effectively overruled the district court's determination that judgment on the counterclaim was necessary without any explanation save the invocation of its policy and a citation to *Vieau*. By so doing the court deprived Cardinal of the "relief from uncertainty, insecurity, and controversy" to which it was entitled under the Declaratory Judgment Act and has allowed Morton to continue to threaten Cardinal and the market with an invalid patent.

**C. The Practice Frustrates The Policies Set Forth In This Court's Decision In *Blonder-Tongue***

In *Blonder-Tongue Laboratories v. University of Illinois Foundation*, 402 U.S. 313 (1971) this Court addressed the following question:

Should the holding of *Triplett v. Lowell*, 297 U.S. 638 [1936] that a determination of patent invalidity is not res judicata as against the patentee in subsequent litigation against a different defendant, be adhered to?

*Id.* at 317. The Court resolved this issue by concluding that it should not continue to follow the doctrine of mutuality set forth in *Triplett*.

The practice this Court overruled in *Triplett* had the same effect as does the Federal Circuit's practice

of routinely vacating declaratory judgments of patent invalidity. Because the Federal Circuit's decision on whether to reach validity is a discretionary one, the court clearly errs when, in making this determination, it fails to consider the significant prudential concerns addressed by this Court in *Blonder-Tongue*.

In *Blonder-Tongue*, this Court found that continued adherence to *Triplett* would have significant economic consequences. Specifically, the Court noted that there is "an arguable misallocation of resources" in permitting "a litigant more than one full and fair opportunity for judicial resolution of the same issue." 402 U.S. at 328-29. This misallocation is particularly acute in patent cases as "the expense of defending a patent suit is often staggering to the small businessman." *Id.* at 334 (quoting *Picard v. United Aircraft Corp.*, 128 F.2d 632, 641 (2d Cir. 1942) (J. Frank, concurring)). Moreover, this Court found that "it is clear that abrogation of *Triplett* will save some judicial time if even a few relatively lengthy patent suits may be fairly disposed of on pleas of estoppel." *Id.* at 348 (emphasis in original).

The Court also expressed concern that continued fidelity to *Triplett* would mean that:

In each successive suit the patentee enjoys the statutory presumption of validity, and so may easily put the alleged infringer to his expensive proof. As a consequence, prospective defendants will often decide that paying royalties under a license or other settlement is preferable to the costly burden of challenging the patent.



*Id.* at 338. The Court found this prospect particularly troubling, quoting favorably from the Report of the President's Commission on the Patent System which stated that:

[A] patentee having been afforded the opportunity to exhaust his remedy of appeal from a holding of invalidity, has had his 'day in court' and should not be allowed to harass others on the basis of an invalid claim. There are few, if any, logical grounds for permitting him to clutter crowded court dockets and to subject others to costly litigation.

*Id.* at 339-40 (quoting Report of President's Commission on the Patent System, Recommendation XXIII at 38).<sup>11</sup>

For these reasons this Court concluded that *Triplett's* failure to permit courts to recognize as preclusive the determinations of other courts on invalidity absent mutuality was erroneous and should be overruled. *Id.* at 350. The practice of the Federal Circuit at issue in this case produces the same results as *Triplett* through other means, *i.e.*, resurrecting patents rather than not allowing them to die. This practice completely frustrates and circumvents *Blonder-Tongue* as is starkly illustrated by the facts of this case.

By vacating the *Argus* judgment of invalidity, the Federal Circuit permitted Morton to continue its suit against Cardinal. As a result, Cardinal was forced to

<sup>11</sup> It was this type of harassment of a small competitor based on an obviously invalid patent which was the basis for Cardinal's claim for an exceptional case award under 35 U.S.C. § 285.

expend over a million dollars on state of the art experiments, testing and on attorneys fees and costs in defending itself and prosecuting its declaratory judgment counterclaim. None of this would have occurred had the Federal Circuit not vacated the *Argus* determination of invalidity as *Blonder-Tongue* would have required the South Carolina district court to accord the *Argus* judgment preclusive effect.

The Federal Circuit, however, added insult to injury by using the challenged practice to require Cardinal to defend against Morton's infringement action, and then later used the same practice to deprive Cardinal of its hard-earned declaratory judgment of invalidity as well. The ramifications, however, did not end with Cardinal, as Morton, despite having its patents twice found invalid, has now been given license by the Federal Circuit to pursue a third infringement action on these patents against Atochem North America in the Delaware district court.

It is precisely this sort of scenario that this Court sought to avoid in *Blonder-Tongue*. The Federal Circuit's practice is virtually identical in impact to that of the doctrine of mutuality abandoned in *Blonder-Tongue*. The practice clearly results in a "misallocation of resources" as it permits "a litigant more than one full and fair opportunity for judicial resolution of the same issue." 402 U.S. at 328-29. This misallocation has led to legal expenses which are "staggering to the small businessman." *Id.* at 334 (quoting *Picard v. United Aircraft Corp.*, 128 F.2d 632, 641 (2d Cir. 1942) (J. Frank, concurring)). It is also clear that abrogation of the Federal Circuit's practice will "save some judicial time if even a few relatively lengthy patent suits may be fairly disposed of on pleas of



estoppel." *Id.* at 348 (emphasis in original). Continued adherence to the practice will also have the practical effect that "prospective defendants will often decide that paying royalties under a license or other settlement is preferable to the costly burden of challenging the patent." *Id.* at 338.

In contrast, it is difficult to conceive of considerations of prudence and comity which are served by the Federal Circuit's current practice. Prior to *Vieau* and *Fonar* the Federal Circuit reached both infringement and validity without any apparent burden. *Mannesmann*, 793 F.2d 1279. In this action Judge Lourie did not find it burdensome to reach the validity question in his concurring opinion. Clearly the small amount of judicial time which is saved by not reaching validity is offset by the potential for and, in this case, the reality of continued litigation spawned by the resurrection of the invalidated patent.

#### **D. The Practice Undermines The Integrity Of The Patent System**

This Court has recognized that there is a significant public interest which courts must consider in patent cases. Justice White in his concurrence in *United States v. Singer Mfg. Co.*, 374 U.S. 174 (1963), defined that interest as:

[T]he public interest in granting patent monopolies only when the progress of the useful arts and of science will be furthered because as the consideration for its grant the public is given a novel and useful invention. U.S. Const., Art. I § 8; 35 U.S.C. § 101; Statute of Monopolies, 21 Jac. I, c.3. When there is no novelty and the public parts with the mo-

nopoly grant for no return, the public has been imposed upon and the patent clause subverted. [citations omitted].

*Id.* at 199-200.

Public interest is particularly significant in cases such as this when a court is faced with the decision of whether to reach the issue of validity. In *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327 (1945) this Court stated:

[T]here has been a tendency among the lower federal courts in infringement suits to dispose of them where possible on the ground of non-infringement without going into the question of validity of the patent. [citations omitted]. It has come to be recognized, however, that of the two questions, validity has the greater public importance, *Cover v. Schwartz*, 2 Cir., 133 F.2d 541, and the District Court in this case followed what will usually be the better practice by inquiring fully into the validity of the patent.

*Id.* at 330.

In *Sinclair* this Court relied upon *Cover v. Schwartz*, 133 F.2d 541 (2d Cir. 1942), *cert. denied*, 319 U.S. 748, *reh'g denied*, 319 U.S. 785 (1943), to support its conclusion that inquiring fully into validity was the "better practice." In that case the Second Circuit found that addressing validity first was preferable for a number of reasons. First, the court found that "a decision as to invalidity will tend to discourage suits against others based on that patent." *Id.* at 545. The court also concluded that "mere threats of patent suits, due to the expense of defending such

litigation, may often prevent lawful competition which will be in the public interest." *Id.* Finally, the court found that "the desirability of a decision as to invalidity is especially important because it is the general rule that the government cannot bring suit to have a patent declared invalid, except for fraud inducing its issuance." *Id.*

Decisions subsequent to *Sinclair* and *Singer* have echoed and expanded upon these public policy concerns. In *Lear* this Court expressed concern about the public being required to "pay tribute to would-be monopolists without need or justification." 395 U.S. at 670. In *Blonder-Tongue*, it was noted that "[a] patent yielding returns for a device that fails to meet the congressionally imposed criteria is anomalous." 402 U.S. at 343. Many cases emphasize the importance the Declaratory Judgment Act plays in fostering these policies. See, e.g., *Arrowhead*, 846 F.2d at 735 n.4 ("[t]he Act serves the policies underlying the patent laws by enabling a test of the validity and infringement of patents that are possibly used only as what Leaned Hand, in *Bresnick v. United States*, 139 F.2d 239, 242 (2d Cir. 1943), called 'scarecrows'"); *Societe de Conditionnement v. Hunter Engineering*, 655 F.2d 938, 943 (9th Cir. 1981) ("the availability of declaratory relief serves both judicial efficiency and the policies underlying the patent laws").

The Federal Circuit's practice utterly frustrates these policies as is demonstrated by this case. Two district courts after extensive trials have determined that Morton's patents are invalid, i.e., they do not possess certain statutory criteria for patentability and, accordingly, do not further the Constitutional pur-

pose. *Blonder-Tongue's* description of such patents as "anomalous" is clearly apt in this instance. Nevertheless, the Federal Circuit vacated both of these determinations without explanation.

The strength of the patent system is predicated upon its integrity. For this reason the ramifications of allowing a significant number of anomalous patents into the system are severe. The Federal Circuit, through the challenged practice, has allowed a substantial number of patents found invalid after full and fair hearings to remain in force. This practice runs directly counter to the policy concerns this Court has voiced in *Singer*, *Sinclair*, *Blonder-Tongue* and *Lear*. It plainly encourages rather than discourages the use of invalid patents as "scarecrows" and, as this case illustrates, needlessly increases the amount and cost of litigation.

### III. THIS COURT SHOULD REVERSE THE DECISION OF THE FEDERAL CIRCUIT

The decision of the Federal Circuit to vacate the judgment of invalidity must be reversed and the case remanded with the instruction that the court reach the validity issue. The doctrine of prudential mootness provides the only possible basis for the Federal Circuit declining to reach validity. As noted previously, the doctrine should be applied on a case-by-case basis and only if after deciding one issue the remaining issues are "attenuated" and a decision on them would be "futile." The repercussions of the Federal Circuit's failure to reach validity were quite substantial to Cardinal in this case. Specifically, vacatur of the *Argus* invalidity determination directly resulted in Cardinal being required to defend against Morton's suit at the cost of over a million dollars. The practice was then



applied in this action to strip Cardinal of its hard-earned declaratory judgment finding the patent invalid and deprive it of the "relief from uncertainty, insecurity and controversy" it was entitled to under the Declaratory Judgment Act. With a third suit pending on these same patents, it is likely this scenario will play itself out once again at tremendous costs to the accused infringer and the judicial system. Not a single significant prudential concern is evident which would override the factors addressed herein so as to justify the conclusion that reaching validity in this case would serve no useful purpose.

Cardinal believes that the factors which dictate reaching the validity issue in this case also operate in most cases in which the district court has found patents invalid based upon a declaratory judgment claim. While the facts of this case are particularly stark, thus compelling the court to reach the validity issue, the Federal Circuit does have discretion to address this issue on a case-by-case basis. However, it is clear that in virtually all cases in which a district court has found a patent invalid the prudential concerns addressed herein lead to the inexorable conclusion that the court should reach the issue.

Those cases in which the district court rules on the declaratory judgment claim by finding a patent not invalid present a somewhat different situation. Unlike a finding of invalidity, a determination that a patent is not invalid does not have preclusive effect. *Allen Archery, Inc. v. Browning Mfg. Co.*, 819 F.2d 1087, 1092 (Fed. Cir. 1987). For this reason the prudential concerns are reduced, but not extinguished. For example, as discussed in section II. B., regardless of the outcome in the district court, a case or contro-

versy may very well remain with respect to validity. While the concerns raised by *Blonder-Tongue* and public policy are much less if the district court has found the patent not invalid, the potential for reversal if the Federal Circuit did reach validity means that these concerns cannot be discounted entirely.

As to the final category of cases in which validity has been raised only as an affirmative defense, it is clear that pursuant to *Electrical Fittings*, the question of validity is jurisdictionally mooted by a finding of noninfringement and, accordingly, the Federal Circuit has no alternative but to vacate such a finding.

#### IV. CONCLUSION

In conclusion, for the reasons set forth herein, Cardinal respectfully requests that this Court reverse the decision of the Federal Circuit vacating the judgment of invalidity of the Morton patents and remand the case with instructions that the court reach the validity issue.

Respectfully submitted,

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Dated: November 17, 1992



In The  
**Supreme Court of the United States**

October Term, 1992

CARDINAL CHEMICAL COMPANY, a partnership,  
W.M. QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM,  
and W.M. QUATTLEBAUM, III, individuals,  
CARDINAL MANUFACTURING CO., and  
CARDINAL STABILIZERS, INC.,

*Petitioners,*

v.

MORTON INTERNATIONAL, INC.,

*Respondent.*

On Writ Of Certiorari To The  
United States Court Of Appeals  
For The Federal Circuit

**RESPONDENT'S BRIEF ON THE MERITS**

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**QUESTION PRESENTED**

Whether the Court of Appeals for the Federal Circuit errs when it vacates a declaratory judgment holding an asserted patent invalid merely because it determines that the patent is not infringed?

## PARTIES TO THE PROCEEDING

All parties to the proceeding below are set forth in the caption to the case. Pursuant to Rule 29.1 of the Rules of this Court, respondent states that it does not have any non-wholly owned subsidiaries, nor does it have any parent corporations.

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No. 92-114

In The

**Supreme Court of the United States****October Term, 1992**

CARDINAL CHEMICAL COMPANY, a partnership,  
W.M. QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM,  
and W.M. QUATTLEBAUM, III, individuals,  
CARDINAL MANUFACTURING CO., and  
CARDINAL STABILIZERS, INC.,

*Petitioners,*

v.

MORTON INTERNATIONAL, INC.,

*Respondent.*

**On Writ Of Certiorari To The  
United States Court Of Appeals  
For The Federal Circuit**

**RESPONDENT'S BRIEF ON THE MERITS****STATUTORY PROVISIONS INVOLVED**

Respondent believes that in addition to 28 U.S.C. § 2201 (the Declaratory Judgment Act), 35 U.S.C. § 282 of the Patent Act is also involved in this proceeding. This section provides in pertinent part:

A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims

shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

### STATEMENT OF THE CASE

In April, 1983, Morton International, Inc. (hereinafter "Morton") first embarked on the long and tortuous road which eventually has led to this Court when it sued Cardinal Chemical Corporation et al. (hereinafter "Cardinal") for infringement of United States Letters Patent Nos. 4,062,881 and 4,120,845 (hereinafter "the Morton patents"). While this case was pending, Morton sued Argus Chemical Corporation (hereinafter "Argus") for infringement of these same two patents. Then, during the pendency of both the *Cardinal* and *Argus* cases, but before either of those cases had gone to trial, Morton sued Atochem North America, Inc. (hereinafter "Atochem") for infringement of the Morton patents.

The *Argus* case was tried first. There, the district court held that the Morton patents were invalid under 35 U.S.C. § 112 for failure to satisfy the "enablement" and "definiteness" requirements of that statutory section,<sup>1</sup> and that Argus did not infringe. *Morton Thiokol, Inc. v.*

<sup>1</sup> 35 U.S.C. § 112 provides, in part, that a patent

... shall contain a written description of the invention, and of the manner and process of making and using it, in such ... terms as to enable any person skilled in the art to which it pertains ... to make and use the same ... [enablement], and

*Witco Chemical Corp. and Argus Chem. Corp.*, No. 88-5685 (E.D. La. 1988); Joint Appendix ("J.A.") at 9-37. Morton appealed both the invalidity holding and the finding of noninfringement. The United States Court of Appeals for the Federal Circuit ("Federal Circuit") affirmed the finding of noninfringement, but then vacated the invalidity holding as "moot" pursuant to the "policy" first introduced by the Federal Circuit in *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517 (Fed. Cir. 1987). *Morton Thiokol Inc. v. Argus Chemical Corp.*, 11 U.S.P.Q.2d 1152 (Fed. Cir. 1989) (unpublished); J.A. at 38-43.

Since the Federal Circuit vacated the holding by the *Argus* district court that the Morton patents were invalid, the statutory presumption of validity mandated by 35 U.S.C. § 282 should have been restored to the Morton patents for the then-pending *Cardinal* and *Atochem* cases. In fact, just the opposite has occurred. Morton's patents have been given a "presumption of invalidity."

Cardinal was the first to embrace the idea that the Morton patents were "presumptively invalid" based upon the vacated district court invalidity holding in *Argus*. After the stay in the district court was lifted in the present case,<sup>2</sup> Cardinal filed a summary judgment motion

... shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.  
[definiteness]

<sup>2</sup> By agreement of Morton and Cardinal, the present case was stayed in the district court pending the outcome of the *Argus* appeal as well as that of reexaminations in the United States Patent and Trademark Office of the Morton patents filed



of invalidity of the Morton patents based upon what Cardinal termed the "collateral effect" of the Federal Circuit's decision in the *Argus* appeal under the collateral estoppel principles announced in this Court's decision in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Found.*, 402 U.S. 313 (1971). In support of that motion, Cardinal argued it was "unthinkable that the Federal Circuit expected after rendering the *Argus* decision, that any defendant would be faced with the same patents again." Additionally, Cardinal argued that it was not asking the district court to go out on a limb in granting a summary judgment of invalidity because the "[Federal Circuit] did not disagree with the [*Argus*] District Court's findings on invalidity, but merely vacated that portion of the decision because of its stated policy of not reaching the validity issue when noninfringement is found."

Although the district court below denied Cardinal's summary judgment motion, the district court admonished Morton's counsel that "we're not going to retry *Argus*." J.A. at 56. Further, it also warned Morton's counsel that a verdict would be directed against their client "right then and there" if that was being done. J.A. at 56.

The case was then tried. Not surprisingly given its earlier admonitions, the district court below held the Morton patents invalid for the same reasons as did the *Argus* district court, and further held that Cardinal did not infringe. Appendix C to the Petition for Writ Of *Certiorari* ("Pet. App.") at 32a-70a.

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by Cardinal and Atochem just before the decision by the *Argus* district court. The result of such reexaminations confirmed the patentability of the Morton patents.

Again Morton appealed to the Federal Circuit. And again, just as it had done in the *Argus* appeal, the Federal Circuit, after affirming on noninfringement, followed its *Vieau* policy and vacated the invalidity holding as moot – once again denying Morton any substantive review on the invalidity issue, but technically reviving the Morton patents for the pending lawsuit against Atochem. Pet. App. A at 1a-10a. In his concurring opinion, Circuit Judge Lourie stated that "the presumption of validity [of the Morton patents] has been shaken, but not destroyed." Pet. App. A at 13a.

Commentators likewise view the Morton patents as presumptively invalid. See, e.g., J. Re and W. Rooklidge, *Vacating Patent Invalidity Judgments Upon an Appellate Determination of Noninfringement*, 72 J. Pat. and Trademark Off. Society 780 (1990) (the assumption throughout is that the Federal Circuit's vacation of a patent held invalid by a district court allows an invalid patent to be "resurrected"); see also H. Wegner, *Morton, The Dual Loser Patentee: Frustrating Blonder-Tongue*, 74 J. Pat. and Trademark Office Society 344 (1992).

The Federal Circuit followed its *Vieau* policy despite specific requests by Morton and Cardinal to consider the merits of the invalidity holdings. Morton has never been afforded an opportunity to have what it considers fundamental flaws in the *Argus* district court's holding of invalidity (that were perpetuated by the *Cardinal* district court) substantively reviewed on appeal.

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### SUMMARY OF ARGUMENT

The Court of Appeals for the Federal Circuit errs, as it did in this case, and as it has done in dozens of other cases, when, following the *Vieau* policy, it routinely vacates a district court judgment holding a patent invalid after a finding of noninfringement has been affirmed. This Court's decision in *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U.S. 241 (1939) does not support this policy. That case involved a defendant appealing a district court's holding that the patent in suit was valid. It does not apply, therefore, to the facts of this case where the patent owner is appealing an invalidity holding.

Indeed, the cumulative effect of the precedents of this Court require consideration on the merits when the patent owner appeals an invalidity holding. No matter how the decisions in *Electrical Fittings* and *Altwater v. Freeman*, 319 U.S. 359 (1943) may be construed, those constructions must be reconciled with this Court's decision in *Blonder-Tongue*, which underscores the public policy interest in providing certainty when issues of patent invalidity are involved.

Further, the Federal Circuit's practice of routinely following the *Vieau* policy results in a "no win" situation for all concerned. The vacation of an invalidity holding leaves the defendant in a worse situation than was the case before *Blonder-Tongue*. Because there can be no *res judicata* effects on the invalidity issue, that defendant could still face, in the future, infringement charges for new products on patent claims previously held invalid by the district court.

The patent owner also loses due to the vacation. The Federal Circuit's *Vieau* policy results in a *de facto* presumption of invalidity that is inconsistent with the presumption of validity mandated by 35 U.S.C. § 282.

The Federal Circuit's routine, procedural vacation of invalidity holdings once noninfringement is found also undermines the patent system. This policy creates uncertainty as to whether the invalidity holding was indeed correct and, as a result, harms the public, the patent owner, and the infringement defendant.

Lastly, the net effect of the *Vieau* policy is to inappropriately make the district court, when it holds a patent invalid, the court of first and last resort for a patent owner. No substantive review is accorded by the Federal Circuit when the *Vieau* policy is followed, and the patent owner's resort to this Court on the invalidity issue is precluded since the patent owner technically becomes the "winning party" on that issue and, as such, has no standing to appeal per *Electrical Fittings*.

A patent is a valuable property right and, as this Court has long recognized, substantial public interest is involved in the question of the validity (or invalidity) of patents.<sup>3</sup> It therefore follows that where a patent owner appeals an invalidity holding by a district court, the Federal Circuit should substantively review that holding regardless of whether a noninfringement finding is

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<sup>3</sup> See, for example, this Court's statements in *Blonder-Tongue*, 402 U.S. at 343 and *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 815-816 (1945).

affirmed, and regardless of whether the invalidity holding was obtained as a declaratory judgment or as an affirmative defense.

## ARGUMENT

### I. THIS COURT'S DECISIONS IN *ELECTRICAL FITTINGS* AND *ALTVATER* DO NOT SUPPORT THE FEDERAL CIRCUIT'S *VIEAU* POLICY WHEN, AS HERE, THE PATENTEE APPEALS AN INVALIDITY HOLDING

As Cardinal has pointed out, the Federal Circuit bases its *Vieau* policy of routinely vacating judgments of patent invalidity or validity upon this Court's decisions in *Electrical Fittings* and *Altvater*. Specifically, the Federal Circuit, in a line of its decisions beginning in 1987 with *Vieau* and *Fonar Corp. v. Johnson & Johnson*, 821 F.2d 627 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1027 (1988),<sup>4</sup> has held that the issue of patent validity becomes "moot" when it affirms a district court's finding that the patent in issue is not infringed. Accordingly, when the Federal Circuit affirms on noninfringement, it vacates the district court's holding with respect to the issue of whether the patent in suit is invalid or not invalid.

And, as far as its argument goes, Morton believes Cardinal has fully and persuasively demonstrated that

<sup>4</sup> Prior to its decisions in *Vieau* and *Fonar*, the Federal Circuit had (as had the territorial courts of appeal before it) routinely substantively considered validity or invalidity holdings by district courts even when it had already affirmed the district court's noninfringement finding.

the Federal Circuit has misread this Court's precedent upon which the Federal Circuit relies when it routinely vacates, as being "moot," a district court finding as to invalidity when (as here) a declaratory judgment is involved, simply because it agrees with the district court that the patent is not infringed.<sup>5</sup> For this reason, Morton will not plow the same ground.

However, regardless of whether Cardinal is correct in its analysis, no precedent of this Court supports the practice of the Federal Circuit, even when a noninfringement holding is affirmed, to vacate an invalidity holding when (as here) it is the *patent owner* appealing that invalidity holding.

*Electrical Fittings* involved an appeal of a validity holding by an accused infringer, even though the patent was found not infringed by the district court. This Court, in refusing to substantively review the validity holding, stated:

A party may not appeal from a judgment or decree in his favor, for the purpose of obtaining a review of findings he deems erroneous which are not necessary to support the decree. But here the decree itself purports to adjudge the validity of claim 1, and though the adjudication was immaterial to the disposition of the cause, it stands as an adjudication of one of the issues litigated. We think the petitioners were entitled to have this portion of the decree eliminated,

<sup>5</sup> Cardinal's view is shared by the Federal Circuit's Chief Judge Nies in her eloquent dissent to the Federal Circuit's refusal to review this issue *en banc* in the appeal below. Pet. App. B at 16a-31a.



and that the Circuit Court of Appeals had jurisdiction, as we have held this court has, to entertain the appeal, not for the purpose of passing on the merits, but to direct the reformation of the decree.

307 U.S. at 242.

Where the *unsuccessful* party (i.e., the patent owner whose patent has been held invalid) has, as has Morton here, appealed the invalidity holding of the district court, the *Electrical Fittings* scenario does not occur and is not applicable.

In *Altvater*, a litigation described by Justice Frankfurter in his dissent as being "wrapt in confusion," this Court held that, in the circumstances of that case, the appellate court's affirmance of noninfringement did not moot the accused infringer's declaratory judgment counterclaim, and required the appellate court to substantively review the district court's invalidity holding. That decision was based on a review of the rights of a declaratory judgment plaintiff to appellate review on the issue of patent validity. This Court did not focus on the rights of the patent owner who was appealing the invalidity holding, which is the situation presented in this case. At most, *Altvater* requires an analysis on a case-by-case basis to determine whether a "case or controversy" still exists – not the *per se* *Vieau* policy, a "one-size-fits-all" approach.

However, *Altvater*, as well as *Electrical Fittings*, must be reconciled with the public policy considerations expressed in this Court's decision in *Blonder-Tongue*.

## II. THE FEDERAL CIRCUIT'S *VIEAU* POLICY IGNORES THE CUMULATIVE PRECEDENT OF THIS COURT AND THE PARTIES AND THE PUBLIC ALL LOSE

Prior to *Blonder-Tongue*, a patentee having one or more of its patent claims held invalid in a lawsuit against one defendant was not precluded from suing another defendant on those very same claims. See *Triplett v. Lowell*, 297 U.S. 638 (1936). Therefore, when both *Electrical Fittings* and *Altvater* were decided, a holding of validity or invalidity was binding only to the parties litigating the issue. A different party being sued for infringement of a patent previously found invalid who wanted to rely on the prior decision had resort only to considerations of comity.

After *Blonder-Tongue*, the effect of an invalidity holding by a district court was greatly expanded. Under this Court's holding in *Blonder-Tongue*, unless a party whose patent was held invalid by a district court could meet certain limited exceptions, he was collaterally estopped from suing other parties on that patent. A holding of invalidity thus took on great significance to the patent owner and the general public. The alleged infringer who won a holding of invalidity was not affected by *Blonder-Tongue*, because even under *Triplett*, he could not be sued again on claims held invalid, due to principles of *res judicata*.

Therefore, subsequent to *Blonder-Tongue*, a district court's holding of invalidity became important not only to the parties, but also to the general public. The Federal Circuit, when it applies its *Vieau* policy and refuses to

examine the correctness (or incorrectness) of an invalidity holding, disservices the interests of all concerned. The failure to review an invalidity holding on the merits creates uncertainty, and the parties and the public all are disserved.

**A. EVEN THOUGH CARDINAL "WON" ON THE INFRINGEMENT ISSUE, OVERALL CARDINAL STILL "LOSES"**

Cardinal, the defendant who "won" the invalidity holding in the district court, loses because the Federal Circuit's vacation of that holding removes any application of *res judicata* on the validity issue. Therefore, if Cardinal were to introduce a different product in the marketplace, it could be sued for infringement of the same claims previously held invalid by the district court below (a result that could not even occur under *Triplett*). In effect, Cardinal has been penalized by the mere fact that Morton appealed the invalidity holding of the district court below.

**B. MORTON, AS THE PATENT OWNER, LOSES – EVEN THOUGH IT TECHNICALLY "WINS" UPON VACATION OF THE INVALIDITY HOLDING**

Under the Federal Circuit's *Vieau* policy, the patent owner is also harmed, as Morton has been here. Although the vacation, in theory, should restore the presumption of validity of the patent at issue, this is not what happens in the real world. If the patent owner asserts its patent in a

subsequent lawsuit, that patent is treated as presumptively invalid, even though the patent owner's only avenue for review of that holding has been eliminated. What has happened to Morton here underscores the injustice that follows any patent owner when its opportunity for vindication is eliminated by the Federal Circuit's use of the *Vieau* policy.

Although the Federal Circuit, by vacating the invalidity holding in the district court below, *procedurally* snatched the Morton patents from the jaws of invalidity and the application of *Blonder-Tongue*, in *reality* it placed the Morton patents in a "twilight zone." On the one hand, the Morton patents are theoretically not invalid (after all, the Federal Circuit did vacate the district court's invalidity holding). But yet, on the other hand, the patents are not viewed as being "really valid" by anyone other than the patent owner. Instead, the Morton patents are viewed as presumptively invalid, once-dead patents, which have been "resurrected" by a mere technicality. See, e.g., J. Re and W. Rooklidge, *Vacating Patent Invalidity Judgments Upon an Appellate Determination of Noninfringement*, 72 J. Pat. and Trademark Off. Society 780 (1990); H. Wegner, *Morton, The Dual Loser Patentee: Frustrating Blonder-Tongue*, 74 J. Pat. and Trademark Office Society 344 (1992). Accordingly, if Morton should subsequently litigate the Morton patents, those patents will not be accorded the full and complete presumption of validity mandated by 35 U.S.C. § 282.

The Federal Circuit's procedural vacation of the invalidity holdings in the *Argus* and *Cardinal* cases has placed a stigma of invalidity on the Morton patents which never can be removed. This stigma was recognized

and underscored by Circuit Judge Lourie in his concurring opinion to the decision in the appeal below, when he stated that the "presumption of validity [of the Morton patents] has been shaken, but not destroyed." Pet. App. A at 13a.

Certainly, when it enacted § 282, Congress never contemplated, much less intended, that a patent should be accorded anything less than a full and complete presumption of validity or that the burden of proving a patent's validity in the first instance should ever be placed upon its owners. Even when the *Triplett* rule was in place, this Court recognized that a patent previously held invalid by one district court still retained the presumption of validity in a subsequent lawsuit. *Blonder-Tongue*, 402 U.S. at 338.<sup>6</sup>

Further, this stigma, or "presumption of invalidity," is not justified. Prior to its adoption of the *Vieau* policy, when the Federal Circuit reviewed invalidity determinations without regard to its decision on infringement, district court holdings of invalidity were *reversed* almost as often as they were affirmed. R. Cooley, *What The Federal Circuit Has Done And How Often: Statistical Study of the CAFC Patent Decisions - 1982 to 1988*, 71 J. Pat. and Trademark Off. Society 385 (1989).

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<sup>6</sup> When § 282 was enacted, the *Triplett* rule was being followed. Therefore, Congress also was of the view that a full presumption of validity should attach even to a patent previously found invalid.

### C. THE PUBLIC LOSES DUE TO THE UNCERTAINTY SURROUNDING THE VALIDITY OF THE MORTON PATENTS

The Federal Circuit's *Vieau* policy creates uncertainty as to whether a patent held invalid by a district court is truly invalid, or whether the district court erred in that decision. This uncertainty injures the public and undermines the integrity of the patent system. If the district court decision would have been upheld on appeal, the public is harmed because an invalid patent has been allowed to exert continued influence on the marketplace. See *Blonder-Tongue*, 402 U.S. at 338-343. On the other hand, if the district court's holding of invalidity was wrong and would have been reversed on appeal, the public is still harmed. There is a public interest in having "good" patents affirmatively upheld by the courts. *Technograph Printed Circuits, Ltd. v. United States*, 372 F.2d 969, 978 (Ct. Cl. 1967).

This uncertainty undermines the patent system. If patent owners cannot have district courts' invalidity holdings substantively reviewed, there is less of an incentive to disclose new inventions to the public, because the *quid pro quo* for that disclosure has been lessened. Further, the *Vieau* policy encourages forum shopping by effectively making district courts the courts of first and last resort on the issue of patent validity.<sup>7</sup> See Section III, *infra*.

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<sup>7</sup> In fact, elimination of forum shopping in patent litigation was one rationale for the creation of the Federal Circuit. H.R. REP. NO. 312, 97th Cong., 1st Sess. (1981) at 20-23.



Public policy dictates that patents held invalid by a district court should be subject to appellate review on the merits when the patent owner appeals that holding.

### III. THE FEDERAL CIRCUIT'S VIEAU POLICY IMPROPERLY MAKES THE DISTRICT COURT THE COURT OF FIRST AND LAST RESORT AS TO PATENT INVALIDITY

By refusing to substantively review invalidity holdings by a district court, the Federal Circuit has ceased to act as a safeguard against an improvident judgment of invalidity. Prior to *Blonder-Tongue*, district courts were the primary safeguard. In fact, this was one rationale used in support of the holding in *Triplett* allowing a patent owner to institute suits on a patent previously held invalid by a district court. *Blonder-Tongue*, 402 U.S. at 330-31. In *Blonder-Tongue*, this Court envisioned the courts of appeals as the primary safeguard against wrongly decided invalidity holdings, adopting with approval a statement by the President's Commission on the Patent System that "a patentee, having been afforded the opportunity to exhaust his remedy of appeal from a holding of invalidity, has had his 'day in court' and should not be able to harass others on the basis of an invalid claim." *Blonder-Tongue*, 402 U.S. at 340.

Here, Morton has not been afforded the opportunity to exhaust its remedy of appeal because the validity issue has never been substantively reviewed by the Federal Circuit in either the present case or the *Argus* case. As a result, Morton has been left with two patents effectively stripped of any power in the marketplace.

If Morton were to proceed against another infringer, the district court, in all likelihood would accept the twice-vacated invalidity holdings, just as the district court below adopted wholesale the *Argus* district court's invalidity holdings, without any independent evaluation as to whether those holdings were correct. Further, any future accused infringer would, in all likelihood, argue for an award of attorney's fees, as Cardinal has done here, on the ground that Morton should have known better than to sue on an "invalid patent" even though, from Morton's perspective, the district courts' holdings of invalidity in the present case and the *Argus* case are fundamentally flawed.

The value of Morton's patents is therefore essentially zero – effectively not enforceable and viewed with a jaundiced eye by competitors and district courts alike. It has lost valuable property rights. The Federal Circuit, in not exercising its "safeguard" function and refusing to substantively review what Morton submits to be two wrongly-decided invalidity holdings, has taken valuable property rights from Morton without due process of law.

Further, by vacating the district court's holding of invalidity, the Federal Circuit has deprived Morton of an opportunity to have this Court review the invalidity determination of its two patents by means of petition for writ of *certiorari*. When the Federal Circuit vacated the district court's invalidity determination of the Morton patents (after affirming the noninfringement finding), Morton technically became the successful party on the validity issue. And, as such, under this Court's holding in *Electrical Fittings*, Morton could not request a review of that issue by this Court.

Morton has twice been deprived of an opportunity to seek substantive appellate review of what it believes to be erroneous holdings of invalidity of its two patents. As a result, the Morton patents have been relegated to the "twilight zone" discussed above.

The *Vieau* policy thus effectively – and erroneously – makes the district court the court of first and last resort when a patent is found to be invalid. This is a particularly undesirable result since, prior to the *Vieau* policy, district court holdings of invalidity were reversed by the Federal Circuit almost as often as they were affirmed. R. Cooley, *What The Federal Circuit Has Done And How Often: Statistical Study of the CAFC Patent Decisions – 1982 to 1988*, 71 J. Pat. and Trademark Off. Society 385 (1989).

The only way Morton can obtain a further "review" of the Morton patents would be to relitigate those patents against another defendant, such as Atochem. Given the previous litigation history of the Morton patents, Morton doubts that such a review would be a meaningful one. Further, this course of action is not only wasteful of Morton's and Atochem's resources, but also those of the judicial system.

Morton respectfully suggests that the Federal Circuit's *Vieau* policy should be ended. Where a patentee appeals a district court's invalidity holding, that holding should be substantively reviewed in all instances.

## CONCLUSION

In conclusion, for the reasons set forth herein, Morton respectfully requests that this Court reverse the decision of the Federal Circuit vacating the judgment of invalidity of its two patents and remand the case with instructions that the Federal Circuit reach the validity issue, and specifically consider whether Morton was denied the presumption of validity mandated for the Morton patents under § 282.

Respectfully submitted,

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IN THE  
**Supreme Court of the United States**

October Term, 1992

CARDINAL CHEM. CO., W. M. QUATTLEBAUM, JR.,  
DOROTHY QUATTLEBAUM, and W. M.  
QUATTLEBAUM, III, CARDINAL MFG. CO.,  
and CARDINAL STABILIZERS, INC.,  
*Petitioners,*

vs.

MORTON INTERNATIONAL, INC.,  
*Respondent.*

ON WRIT OF CERTIORARI TO THE UNITED STATES  
COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF AMICUS CURIAE  
ATOCHEM NORTH AMERICA, INC.  
IN SUPPORT OF PETITIONERS

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November 18, 1992

PETITION FOR CERTIORARI FILED JULY 16, 1992  
CERTIORARI GRANTED OCTOBER 5, 1992



**QUESTION PRESENTED**

Whether the Federal Circuit's *vacatur* of a district court's declaratory judgment of patent invalidity as moot is proper solely because the Federal Circuit has affirmed a judgment of noninfringement.

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BRIEF OF AMICUS CURIAE  
ATOHEM NORTH AMERICA, INC.  
IN SUPPORT OF PETITIONERS

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This *amicus curiae* brief is submitted to support the petitioners on writ of certiorari. Petitioners (collectively "Cardinal") and Respondent ("Morton") have consented in writing to the filing of this brief.

**INTEREST OF THE AMICUS**

The interest of *amicus* ("Atochem") arises out of Morton's suit against Atochem charging infringement of the same two patents that are at issue in this case ("the Morton patents"). Atochem is the defendant in *Morton Int'l, Inc. v. Atochem North*

*America, Inc.*, No. 87-60-RRM, currently pending in the U.S. District Court for the District of Delaware. Morton's action against Atochem will be significantly affected by this Court's decision in this appeal.

After Atochem was sued, the Morton patents were declared invalid by two separate district courts in unrelated actions, first in Louisiana (the *Witco* case),<sup>1</sup> and subsequently in this case in South Carolina (the *Cardinal* case).<sup>2</sup> However, because each district court judgment also included a finding of noninfringement which the Federal Circuit affirmed, Atochem has watched the appellate court twice vacate the respective declaratory judgments of invalidity reached after trials on the merits. The second action is the subject of this proceeding. Morton's action against Atochem is a third separate action on the same two Morton patents.

The Federal Circuit's *vacatur* of the two prior district court judgments of invalidity follows that court's practice of vacating judgments of invalidity as moot when affirming judgments of noninfringement. However, as explained by Chief Judge Nies in her dissent from the denial of suggestions for rehearing *in banc*,<sup>3</sup> there is no jurisdictional impediment to deciding the

<sup>1</sup> *Morton Thiokol, Inc. v. Witco Chem. Corp.*, No. 84-5685 (E.D. La. June 22, 1988), *aff'd in part, vacated in part*, 873 F.2d 1451 (Fed. Cir.), *reh'g denied*, 1989 U.S. App. LEXIS 6151 (Fed. Cir. 1989) (nonprecedential).

<sup>2</sup> *Morton Int'l, Inc. v. Cardinal Chem. Co.*, No. 6:83-889-OK (D.S.C. 1991), *aff'd in part, vacated in part*, 959 F.2d 948 (Fed. Cir.), *reh'g denied*, 1992 U.S. App. LEXIS 7580 (Fed. Cir.), *reh'g, in banc, denied*, 1992 U.S. App. LEXIS 10067 (Fed. Cir.), dissent from denial of suggestions for rehearing *in banc*, 967 F.2d 1571 (Fed. Cir. 1992) (Nies, C.J.).

<sup>3</sup> 967 F.2d at 1572-77.

invalidity issue irrespective of the decision on noninfringement,<sup>4</sup> and the practice has been subject to substantial criticism.<sup>5</sup>

A party in Atochem's position is particularly affected. Vacatur of the invalidity holding gives Morton a green light to continue its third lawsuit, placing Atochem in the costly and unjustifiable position of having to defend itself against patents which have already been held invalid twice before.

Patent owners are only to be given the opportunity of one "bite at the apple" pursuant to this Court's decision in *Blonder-Tongue Labs., Inc. v. University of Illinois Found.*, 402 U.S. 313 (1971). Morton has had two bites so far, and unless the Court requires the Federal Circuit to decide the invalidity issue, Morton could pursue a third trial seeking to have its patents held valid in a different district court, contrary to the holding and intent of this Court's *Blonder-Tongue* decision.

<sup>4</sup> As developed in *Cardinal's* brief, this Court's precedent not only permits consideration of a declaratory judgment of invalidity irrespective of the decision on infringement, but seems to mandate it. *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327 (1945); see also *Cover v. Schwartz*, 133 F.2d 541 (2d Cir. 1942), *cert. denied*, 319 U.S. 748, *reh'g denied*, 319 U.S. 748 (1943). *Amicus* Atochem's brief, however, is not directed to the jurisdictional aspect of the Federal Circuit's practice, but instead to its inconsistency with patent policy set forth by the Court and its adverse effects on the public by allowing the issue of patent invalidity to remain undecided.

<sup>5</sup> See dissenting opinion to declining rehearing *in banc* (Nies, C.J.), 967 F.2d 1571. Also, one of the Federal Circuit panel members, Judge Lourie, would have affirmed the judgment of invalidity of the Morton patents and not reached the issue of whether *Cardinal's* specific products infringe those patents. 959 F.2d at 952-54. See also Harold C. Wegner, *Morton, The Dual Loser Patentee: Frustrating Blonder-Tongue*, 74 J. Pat. & Trademark Off. Soc'y 344 (1992); John Donofrio, *The Disposition of Unreviewable Judgments by the Federal Circuit*, 73 J. Pat. & Trademark Off. Soc'y 462 (1991); Joseph R. Re & William C. Rooklidge, *Vacating Patent Invalidity Judgments Upon an Appellate Determination of Noninfringement*, 72 J. Pat. & Trademark Off. Soc'y 780 (1990); Robert L. Harmon, *Patents and the Federal Circuit*, 551-54 (2d ed. 1991).



Morton itself had asked this Court to grant the petition for writ of certiorari.<sup>6</sup> Atochem's interest, and perhaps Morton's as well, is clear. The cost of still another trial for the parties and the public is too high for the Federal Circuit to again avoid ruling on Morton's appeal of the district court's holding of invalidity of the Morton patents. Accordingly, and for the reasons set forth further below, *amicus* respectfully requests that the Court vacate the decision below and remand this case to the Federal Circuit with instructions that the declaratory judgment of invalidity be reinstated and the appeal of that judgment be decided on the merits. Further, *amicus* respectfully requests that the Court instruct the Federal Circuit to decide on the merits any declaratory judgments of invalidity presented to it on appeal, especially when another, unrelated litigation is pending which involves the same patent(s) at issue on appeal.

### QUESTION PRESENTED

Whether the Federal Circuit's *vacatur* of a district court's declaratory judgment of patent invalidity as moot is proper solely because the Federal Circuit has affirmed a judgment of noninfringement.

### SUMMARY OF THE ARGUMENT

The Federal Circuit's practice of vacating a declaratory judgment of patent invalidity as moot solely because the Federal Circuit has affirmed a judgment of noninfringement is contrary to the policy of this Court's decision in *Blonder-Tongue*. Instead, the Federal Circuit should consider a declaratory judgment of patent invalidity, especially when another, unrelated litigation is pending involving the same patent(s) at issue on appeal.

<sup>6</sup> Before the Federal Circuit, Morton asked the Federal Circuit to decide its appeal of the invalidity judgment on the merits and subsequently filed a petition for rehearing with a suggestion for rehearing *in banc* when that court declined to do so.

The *Blonder-Tongue* decision was intended to prevent patentees from relitigating patents once held invalid in a full and fair trial. The Federal Circuit's practice of declining to review district courts' holdings of invalidity permits "repeated litigation of the same issue as long as the supply of unrelated defendants holds out," despite a full and fair trial on the validity issue — a result which the *Blonder-Tongue* decision was expressly designed to avoid. 402 U.S. at 329.

Further, the Federal Circuit's practice ignores the importance to the public of removing invalid patents. This Court has long recognized that invalid patents harm the public interest, because invalid patents frustrate the purposes of the patent system. Invalid patents stifle business competition and remove ideas from within the public domain. By its *vacatur* practice, the Federal Circuit allows patents which have been held invalid to continue to exist. This practice should be corrected.

The encouragement of "repeated litigation" is the real effect of the Federal Circuit's practice. It is not hypothetical. The Morton patents have been declared invalid twice after lengthy and complex trials on highly technical chemical subject matter. Nonetheless, if the decision below is not vacated, it is anticipated that there will be yet a third trial on these patents in a different jurisdiction, Delaware, involving Atochem, a defendant unrelated to the defendants in either the Louisiana *Witco* case or the South Carolina *Cardinal* case. Undoubtedly, there will be a third appeal to the Federal Circuit after the third trial.

Not only will there be the high cost of pretrial discovery and trial of a third action on the Morton patents, as is typical in patent cases, but it is clear that judicial resources will not have been conserved by Morton's continued use of the courts to enforce its invalid patents. These consequences were sought to be prevented by this Court in *Blonder-Tongue*. Instead, however, they flow directly from the Federal Circuit's *vacatur* of the invalidity judgment simply because the Federal Circuit chose to

decide the issue of noninfringement before invalidity. It should have taken the issues in the opposite order.

## ARGUMENT

### I. This Court Should Instruct the Federal Circuit to Reinstate the Declaratory Judgment and Decide the Invalidity Issue on the Merits to Ensure that the Policy of the *Blonder-Tongue* Decision is Given Full Effect

In the *Blonder-Tongue* decision, this Court abrogated the doctrine of mutuality set forth in *Triplett v. Lowell*, 297 U.S. 638, *reh'g denied*, 298 U.S. 691 (1936), to prevent a patent owner from relitigating patents once held invalid against other unrelated defendants. The Federal Circuit's established practice of vacating judgments of invalidity upon affirming corresponding judgments of noninfringement vitiates that very purpose because the practice permits "repeated litigation of the same issue as long as the supply of unrelated defendants holds out," a result which the *Blonder-Tongue* decision expressly sought to prevent. 402 U.S. at 329.<sup>7</sup> Therefore, the effect of the Federal Circuit's practice is in conflict with the precedent of this Court.

Interestingly, the Federal Circuit has itself recognized that the intended effect of the *Blonder-Tongue* decision is to prevent repeated litigation. The Federal Circuit has stated that:

[T]he purpose of the *Blonder-Tongue* collateral estoppel rule was to prevent relitigation of patent validity,

<sup>7</sup> The Federal Circuit's policy of vacating judgments of invalidity also limits the ability of defendants to rely on the *Blonder-Tongue* decision at the district court level. For example, in the pending *Atochem* district court case, *Atochem* filed a motion for summary judgment after the *Cardinal* district court found the patents invalid, arguing that the *Blonder-Tongue* collateral estoppel rule applied from the *Cardinal* district court's judgment and that the *Morton* patents should be similarly declared invalid. Judge Wright declined to consider the motion for summary judgment before a stay of the *Atochem* case was imposed.

once a patent has been held invalid in a case where the patentee had a full and fair opportunity to litigate the issue.

*A. Stucki Co. v. Buckeye Steel Castings Co.*, 963 F.2d 360, 364 (Fed. Cir. 1992) (emphasis in original), citing *Mississippi Chem. Corp. v. Swift Agric. Chems. Corp.*, 717 F.2d 1374, 1378 (Fed. Cir. 1983). Despite this recognition, the Federal Circuit will continue its practice of resuscitating through *vacatur* patents found invalid by a trial judge or jury (and allowing relitigation), until this Court orders otherwise.<sup>8</sup>

The Court can ensure that patent invalidity determinations after full and fair trials are resolved at the appellate stage without the need for further litigation to prove invalidity all over again by so instructing the Federal Circuit. Such an instruction to the Federal Circuit would be applicable to *both* the present case as well as other patent invalidity determinations presented to the Federal Circuit on appeal, especially when another, unrelated litigation is pending involving the same patent(s) at issue on appeal. Such an instruction is necessary to ensure that the *Blonder-Tongue* decision has its intended effect in preventing repeated litigation.

In *Blonder-Tongue*, the Court criticized repeated litigation where the patent has been once found to be invalid. The Court held that:

Permitting repeated litigation of the same issue as long as the supply of unrelated defendants holds out reflects either the aura of the gaming table or "a lack

<sup>8</sup> As Chief Judge Nies wrote:

The question of how a judgment of invalidity on a declaratory claim should be treated after a finding of no infringement is too important in my view to let pass again. The parties can now look only to the Supreme Court for correction.

Opinion dissenting from denial of suggestions for rehearing *in banc*. 967 F.2d at 1578.



of discipline and of disinterestedness on the part of the lower courts, hardly a worthy or wise basis for fashioning rules of procedure."

402 U.S. at 329, quoting *Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.*, 342 U.S. 180, 185 (1952).

The Court also noted the unfairness to the defendant faced with having to litigate an issue already decided:

In any lawsuit where a defendant . . . is forced to present a complete defense on the merits of a claim which the plaintiff has fully litigated and lost in a prior action, there is an arguable misallocation of resources. To the extent the defendant in the second suit may not win by asserting, without contradiction, that the plaintiff had fully and fairly, but unsuccessfully, litigated the same claim in the prior suit, the defendant's time and money are diverted from alternative uses—productive or otherwise—to relitigation of a decided issue.

*Id.*

With respect to relitigating patent invalidity, the Court concluded that "[w]hatever legitimate concern there may be about the intricacies of some patent suits, it is insufficient in and of itself to justify patentees relitigating validity issues as long as new defendants are available." *Id.* at 334. The Court then focused on three bases in deciding that mutuality of estoppel should be abrogated and a patentee precluded from relitigating the validity of a patent once a district court has declared it to be invalid. These bases were: (1) fairness to the patentee in getting an opportunity to present all relevant and probative evidence before the district court in the first litigation; (2) economic costs of continued litigation of an already held invalid patent; and (3) burden on the federal courts in permitting patentees to relitigate patents held invalid. *Id.* at 338.

### A. No Unfairness Inures to the Patentee in Deciding Invalidity

If the fairness of the trial is challenged by the patentee, it could conceivably be an issue for subsequent district court litigation, but it presumably would be an issue on appeal to the Federal Circuit. Indeed, this Court appears to have assumed in *Blonder-Tongue* that a full and fair opportunity includes appellate review of the judgment of invalidity.<sup>9</sup> It is thus important for the Federal Circuit to consider and decide the appeal of the judgment of patent invalidity.<sup>10</sup>

### B. The Cost of a Third Trial is High

The Court also examined the economic consequences.<sup>11</sup> The Court noted that it was an "acknowledged fact" that patent litigation is a very costly process. In addition, the Court considered that patent defendants have higher costs than patent owners since defendants must both introduce proof to overcome the presumption of validity and must attempt to rebut whatever proof the patent owner offers.<sup>12</sup> Moreover, repeated litigations

<sup>9</sup> *E.g., id.* at 339-40, quoting from President's Comm'n on the Patent System Report (1966), page 39.

<sup>10</sup> Morton appealed the holding of invalidity in both *Witco* and *Cardinal* and sought a decision by the Federal Circuit on invalidity. In what must be an unusual scenario, both Morton and Cardinal petitioned the court for rehearing *in banc*, arguing that the Federal Circuit should not vacate, but rather should reach invalidity.

<sup>11</sup> *Id.* at 334-348. The Federal Circuit has itself cited with approval the economic consequences analysis in *Blonder-Tongue*. *Dana Corp. v. NOK, Inc.*, 882 F.2d 505, 507 (Fed. Cir. 1989).

<sup>12</sup> *Blonder-Tongue*, 402 U.S. at 335. Patent litigation has been recognized by the Federal Circuit as often prolonged and expensive. *See, e.g., A. C. Aukerman Co. v. R. L. Chaides Constr. Co.*, 960 F.2d 1020, 1040 (Fed. Cir. 1992) (citing *George J. Meyer Mfg. v. Miller Mfg.*, 24 F.2d 505, 507 (7th Cir. 1928); *Laitram Corp. v. NEC Corp.*, 952 F.2d 1357, 1360 n.3 (Fed. Cir. 1991) (citing H.R.Rep. No. 1307, 96th Cong., 2d Sess., reprinted in 1980 U.S.C.C.A.N. 6460, 6463)).



raising the same issue and involving much of the same proof have "high costs" to the individual parties.<sup>13</sup> The Federal Circuit's practice of vacating judgments of invalidity leads to relitigating the same validity issue that previously was decided and was dispositive, and runs counter to this basis of the *Blonder-Tongue* decision.<sup>14</sup>

Nothing has changed since the *Blonder-Tongue* decision to suggest that the high cost of litigation as a basis for the *Blonder-Tongue* rationale has decreased in significance. In fact, the cost of litigation to the respective parties has become a widespread concern.<sup>15</sup>

### C. A Heavy Burden on the Judiciary Results

The adverse effect of repeated litigation on judicial resources was a third basis for the conclusion reached in *Blonder-Tongue*. *Id.* at 348-349. The burden on the judicial system of repeated trials on the same complex technical and patent law issues that were resolved against the patent owner a first time is

<sup>13</sup> *Blonder-Tongue*, 402 U.S. at 338. Another economic consequence thought by the Court to be even "more significant" is that potential defendants will often decide that paying royalties under a license or other settlement is preferable to the costly burden of challenging the patent. *Id.* at 338.

<sup>14</sup> Recently, the district court in *Wang Labs., Inc. v. Toshiba Corp.*, 793 F. Supp. 676, 678 (E.D. Va. 1992), expressed its concern that vacating the lower court's finding of invalidity without reviewing the merits at the request of parties who settle the case while the appeal is pending, a related standard practice of the Federal Circuit, may result in an invalid patent being "foisted off on the public and left to distort the market."

<sup>15</sup> See generally Louis Harris and Assocs., *Procedural Reform of the Civil Justice System*, March 1989 (commissioned by The Found. for Change, Inc.), (transaction costs and delay are problems of "moderate to major proportion" and will continue to increase); Terence Dungworth & Nicholas M. Pace, *Statistical Overview of Civil Litig. in the Federal Courts* (Rand Corp., The Inst. for Civil Justice, 1990); James S. Kakalik, *Costs of the Civil Justice System* (Rand Corp., The Inst. for Civil Justice, 1983).

even more important a factor today as both the volume<sup>16</sup> and the cost<sup>17</sup> of litigation in the federal courts have soared. Given the increasing trend in the use of jury trials in patent cases, the effect of the average patent case on the federal district courts will continue to mount.<sup>18</sup> The Federal Circuit's practice adds to the burden on the district courts who may spend substantial court time trying the validity issue in these patent cases only to have its work expunged by an appellate court.<sup>19</sup>

<sup>16</sup> The current caseload crisis and its impact is well-recognized. See, e.g., Federal Courts Study Comm., *Report of the Federal Courts Study Comm.*, Admin. Office of the United States Courts (April 2, 1990) and The Civil Justice Reform Act of 1990, S. Rep. No. 416, 101st Cong. 2d Sess. (1990), reprinted in 1990 U.S.C.C.A.N. 6802.

<sup>17</sup> Each day of a civil jury trial has been determined to cost the district court over \$1,600 per day without a jury and over \$2,700 a day with a jury. Budget Dev. Branch, Admin. Office of the United States Courts, *Daily Cost of a Civil Jury Trial* (February 12, 1992) (on file with Budget Dev. Branch).

<sup>18</sup> Administrative Office of the United States Courts, *Annual Reports of the Director*, Table C-4 (1961-90).

<sup>19</sup> See also opinion dissenting from denial of suggestions for rehearing *in banc* (Nies, C.J.):

Nor should we be unmindful of the expense and effort of the district court. Judge Avern Cohn of the Eastern District of Michigan (the *Vieau* trial judge) stated, in a panel discussion at our most recent Judicial Conference:

I took six months to write a JNOV, found the patent invalid and not infringed and was very proud of my work product. And when I read that court of appeals opinion and found that my finding of invalidity had been vacated, there was no case or controversy, I was in a state of shock for ten minutes.

Cohn, Remarks at the Patent Breakout Session of the Tenth Annual Judicial Conference of the United States Court of Appeals for the Federal Circuit 65 (April 30, 1992).

The appellate courts' caseload, including the caseload of this Court and of the Federal Circuit, is also at a crisis point.<sup>20</sup> As this case itself demonstrates, the Federal Circuit's practice inevitably leads to more district court litigation as well as to more appeals. At a time when there is a great need for achieving the *Blonder-Tongue* decision's hope for conservation of judicial resources, the Federal Circuit's *vacatur* practice adds to the congestion in the courts instead of reducing it. Moreover, fairness to the patentee, the high economic costs and judicial burden of multiple trials, and the public interest in identifying invalid patents, all support the principle of *Blonder-Tongue* that patentees should not be able to relitigate invalid patents after a full and fair trial on the validity issues.

The Federal Circuit's practice is 180° out of phase with these basic principles set forth in the *Blonder-Tongue* decision against repeated litigation. It encourages, rather than prevents, the relitigation of the issue of invalidity after a patent is once held invalid. Given the precedent, policy, and underlying rationale of *Blonder-Tongue*, and the incongruousness of the Federal Circuit's practice of vacating invalidity judgments where infringement is not found, the Supreme Court should compel the Federal Circuit to fully review declaratory judgments of patent invalidity presented to it on appeal.

## II. The Federal Circuit's Practice Ignores the Importance to the Public of a Complete Determination of the Validity of a Patent

This Court has long considered that, as between the issues of infringement and validity, it is determinations of patent invalidity that should be the primary inquiry. The Federal Circuit's practice ignores this Court's precedent that a complete

<sup>20</sup> See The Federal Courts Study Comm., *Report of the Federal Courts Study Committee*, Admin. Office of the United States Courts at n.16, page 109 *et seq.* (chapter entitled "Dealing with the Appellate Caseload Crisis").

determination of judgments of patent invalidity is of great public importance.

For example, in *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327 (1945), this Court stated that patent validity is more important to the public interest: "It has come to be recognized, however, that of the two questions, validity has the greater public importance." 325 U.S. at 330. Patent invalidity is an issue that should not be ignored because of its effect on the public.

It is as important to the public that competition should not be repressed by worthless [i.e., invalid] patents, as that the patentee of a really valuable invention should be protected in his monopoly; . . .

*Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892).

The importance of fully considering patent invalidity as set forth in the *Pope* decision has been reiterated in other opinions by this Court. See *Lear, Inc. v. Adkins*, 395 U.S. 653, 663-64 (1969) (quoting from the *Pope* decision as set forth directly above). The subsequent decision in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), cited the *Lear* decision for this proposition, and specified how technological progress is impeded by allowing invalid patents to exist:

In [*Lear*], 395 U.S. 653 (1969), the Court stated that an invalid patent was so serious a threat to the free use of ideas already in the public domain that the Court permitted licensees of the patent holder to challenge the validity of the patent. Better had the invalid patent never been issued.

416 U.S. at 488-89.

Indeed, this Court has recently reaffirmed that "the efficient operation of the federal patent system depends upon substantially free trade" of ideas within the public domain. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156

(1989). In the *Bonito Boats* decision, a Florida statute was found to conflict with the Federal policy that all ideas within the public domain be kept within the public domain "unless they are protected by a valid patent." 489 U.S. at 159-160, citing *Lear*, 395 U.S. at 668. Technological progress is impeded when the public is not able to use all of the ideas that it should. 489 U.S. at 156.

The possession and assertion of patent rights are "issues of great moment to the public." [Supreme Court case citations omitted.] A patent by its very nature is affected with a public interest. As recognized by the Constitution, it is a special privilege designed to serve the public purpose of promoting the "Progress of Science and useful Arts." At the same time, a patent is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud and other inequitable conduct and that such monopolies are kept within their legitimate scope.

*Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 815-16, *reh'g denied*, 325 U.S. 893 (1945). Although the Court was specifically referring to "unenforceable" patents in the *Precision Instrument* decision, *amicus* submits that the public's concern over patents which are invalid for any other reason is identical. The Federal Circuit's practice of vacating, without review, judgments of invalidity is against the public interest and should be corrected.

It was not until 1987, when the Federal Circuit adopted this *vacatur* practice,<sup>21</sup> that there was any suggestion that patent invalidity did not have to be considered because a holding of noninfringement rendered the issue of invalidity moot.

The Federal Circuit's *vacatur* practice is inconsistent with its own practice before the *Vieau* and *Fonar* decisions. The Federal Circuit had routinely reviewed judgments of invalidity before or in conjunction with judgments of invalidity. *See, e.g., Mannesmann Demag Corp. v. Engineered Metal Prods.*, 793 F.2d 1279 (Fed. Cir. 1986). In fact, the Federal Circuit had itself acknowledged the public interest in removing invalid patents:

There is a stronger public interest in the elimination of invalid patents than in the affirmation of a patent as valid, at least in part because patents maintain a presumption of validity.

*Nestier Corp. v. Menasha Corp.-Lewisystems Div.*, 739 F.2d 1576, 1581 (1984), *cert. denied*, 470 U.S. 1053 (1985) (citation omitted).

Judgments of invalidity were routinely reviewed *first*, perhaps because it was commonly thought that an invalid patent cannot be infringed. *See Spectra-Physics, Inc. v. Coherent, Inc.*, 827 F.2d 1524, 1537-38 (Fed. Cir.), *cert. denied*, 484 U.S. 954 (1987); *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1546 (Fed. Cir. 1983).

Further, before the Federal Circuit was created, judgments of both invalidity and noninfringement were routinely reviewed

<sup>21</sup> The Federal Circuit's practice began with two decisions issued on the same day. *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517 (Fed. Cir. 1987); *Fonar Corp. v. Johnson & Johnson*, 821 F.2d 627, 634 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1027 (1988) (patent below found "not invalid").



together by the appellate courts.<sup>22</sup> *Amicus* submits that judgments of invalidity and noninfringement were routinely reviewed together before 1982 at least partially in recognition of the public interest in removing invalid patents. The Federal Circuit's current practice is inconsistent with the prior practice and simply defeats this public interest.

### III. Continued Enforcement of the Morton Patents Illustrates the Burden on Subsequent Patent Defendants and on the Judicial System from the Federal Circuit's Practice

The enforcement of the Morton patents in the *Witco* and *Cardinal* cases, as well as in the *Atochem* case, illustrate the real effect of the Federal Circuit's practice on an actual party being sued for patent infringement under patents that have already been declared invalid. The pending *Atochem* case in the Delaware district court confirms the Court's *Blonder-Tongue* assessment that high economic and judicial costs favor limiting patent owners to a single bite at enforcement of a patent held to be invalid.

In particular, the financial burden of continuing the *Atochem* case would be great. By the time the *Atochem* case was first stayed at an early stage of discovery because of the *Witco* invalidity decision, there already had been an exchange involving hundreds of thousands of documents. If the litigation goes forward, it can be expected that there will be additional discovery of many thousands of documents. None of the numerous pretrial depositions has yet begun. Several discovery disputes have already been identified, such as discoverability of the transcripts from the two previous trials on the patents at issue. None of the expert witness discovery has begun. In sum,

<sup>22</sup> See *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1540-41 (Fed. Cir. 1983); *W. L. Gore & Assocs., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1559 (Fed. Cir. 1983), *cert. denied*, 469 U.S. 851 (1984); *cf.*, *Sinclair & Carroll*, 325 U.S. at 330; *Minnesota Mining and Mfg. Co. v. Research Medical, Inc.*, 679 F. Supp. 1037, 1059-60 (D. Utah 1987).

despite the fact that the *Atochem* case has been pending since 1987 and some discovery has taken place, the bulk of pretrial discovery has yet to occur and would be extremely costly to *amicus*.

The pretrial discovery will be followed by a trial on all the potential issues in the case. The trial can be expected to involve expensive expert witnesses and sophisticated and costly chemical testing, as did the *Witco* and *Cardinal* cases.

Furthermore, the burden on the Delaware District Court would likewise be great. The *Witco* trial lasted two weeks, and the *Cardinal* trial took one week. The Delaware court would have to address the complex technical and patent issues raised in a lengthy trial. A written opinion by the district court judge would be necessary. The Federal Circuit would likely face another appeal.

These are the types of costs of patent litigation which the *Blonder-Tongue* decision sought to prevent, but which are ignored by the Federal Circuit's practice of vacating invalidity holdings. The *Atochem* case demonstrates that the concerns expressed in the *Blonder-Tongue* decision, and the need for this Court to correct the Federal Circuit's practice, are very real, not hypothetical.

**CONCLUSION**

This Court should correct the Federal Circuit's practice of routinely vacating declaratory judgments of invalidity solely upon affirming judgments of noninfringement, especially when another, unrelated litigation is pending involving the same patent(s) at issue on appeal. We urge this Court to vacate the decision of the Federal Circuit with instructions to reinstate the declaratory judgment of invalidity and to decide the entire appeal of that judgment on the merits.

Respectfully submitted,

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No. 92-114

Supreme Court, U.S.

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IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1992

CARDINAL CHEMICAL COMPANY, a partnership,  
W.M. QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM,  
and W.M. QUATTLEBAUM, III, individuals,  
CARDINAL MANUFACTURING CO., and  
CARDINAL STABILIZERS, INC.,

*Petitioners,*

v.

MORTON INTERNATIONAL, INC.,

*Respondent.*

On Petition for a Writ of Certiorari to  
the United States Court of Appeals  
for the Federal Circuit

BRIEF OF AMICUS CURIAE  
THE FEDERAL CIRCUIT BAR ASSOCIATION  
IN SUPPORT OF PETITIONERS & RESPONDENTS

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*The Federal Circuit Bar Association*

August 14, 1992



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IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1992

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**No. 92-114**


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CARDINAL CHEMICAL COMPANY, a partnership,  
 W.M. QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM,  
 and W.M. QUATTLEBAUM, III, individuals,

CARDINAL MANUFACTURING CO., and  
 CARDINAL STABILIZERS, INC.,

*Petitioners,*

v.

MORTON INTERNATIONAL, INC.,

*Respondent.*


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**On Petition for a Writ of Certiorari to  
 the United States Court of Appeals  
 for the Federal Circuit**

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**BRIEF OF AMICUS CURIAE  
 THE FEDERAL CIRCUIT BAR ASSOCIATION  
 IN SUPPORT OF PETITIONERS**

---

The Federal Circuit Bar Association, with the consent of all parties, submits this brief amicus curiae pursuant to Rule 37.2 of the Rules of this Court in support of the petition for a writ of certiorari.



### THE AMICUS AND ITS INTERESTS

The Federal Circuit Bar Association is a national organization with over 1,800 members. Its primary purpose is to improve and facilitate the administration of justice in the United States Court of Appeals for the Federal Circuit.

In its opinion below, *Morton International, Inc. v. Cardinal Chemical Co.*, 959 F.2d 948 (Fed. Cir. 1992), the Federal Circuit outlined a significant rule of jurisprudence when it said:

Since we have affirmed the district court's holding that the patents at issue have not been infringed, we need not address the question of validity. *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517 (Fed. Cir. 1987). Accordingly, we vacate the holding of invalidity.

*Id.* at 952. This means that the Federal Circuit will vacate judgments of patent invalidity unless infringement is found or admitted. It also means, as a logical corollary, that federal district courts should not decide validity without also addressing infringement.

The Federal Circuit Bar Association believes that such a rule will have an enormous impact upon the management and disposition, at both the trial and appellate levels, of patent infringement litigation. Accordingly, it deserves full consideration, in all of its ramifications, by this Court.

### SUMMARY OF THE ARGUMENT

The writ should be granted because (1) the Federal Circuit has decided an important question of federal law which has not been, but should be, settled by this

Court, and (2) the decision of the Federal Circuit is in conflict with its own decisions in other cases. Sup. Ct. R. 10.1(a) & (c). See, e.g., *John Hancock Mutual Life Ins. Co. v. Bartels*, 308 U.S. 180, 181 (1939) (certiorari granted because of intracircuit conflict and the importance of the question).

### ARGUMENT

#### I. Introduction

The two fundamental affirmative defenses to a claim of patent infringement are invalidity and noninfringement. 35 U.S.C. § 282. In a perfectly logical sense, when an accused infringer prevails on one of these defenses, the other is moot. Jurisprudence cannot, however, be quite so simple as that. There are several considerations that demand attention in deciding whether to address both issues, or one in favor of the other.

First, there is a strong policy against piecemeal disposition of litigation. *Baltimore S.S. Co. v. Phillips*, 274 U.S. 316, 320 (1927); *Stark v. Starr*, 94 U.S. 477, 485 (1877). This policy would seem to favor deciding both defenses at the trial court level. There is also a strong policy that encourages the identification and adjudication of invalid patents. *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 330 (1945). Here, the bias would be in the direction of always deciding the invalidity defense, at both the trial and appellate levels.

Other considerations, although perhaps not so compelling, nonetheless deserve attention. There is the rule of law, announced in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402

U.S. 313 (1971), that a prior determination of patent invalidity may, despite lack of mutuality of estoppel, be asserted as a defense to a subsequent attempt to enforce the patent. Obviously, a reluctance to address invalidity issues at any level of litigation tends to frustrate the *Blonder-Tongue* rule.

And finally, there is a pervasive policy of conservation of judicial resources, *United States v. Stauffer Chemical Co.*, 464 U.S. 165, 172 (1984), which is of course intertwined with the foregoing considerations. It is not always clear how this policy is best served in the context of issue selection. One thing does seem clear, however: a summary judgment of patent invalidity that survives appellate review is likely to conserve judicial resources with regard to that particular patent.

The Federal Circuit has, with little discussion, opted to prioritize this matter of issue selection in favor of the infringement inquiry. Thus, only if an accused infringer is unsuccessful in its defense of noninfringement will the Federal Circuit go on to decide invalidity. More than that, district courts will be discouraged, if not disabled, from deciding invalidity without first addressing infringement. This rule represents a fairly abrupt change in the dynamics of patent infringement case management and may have a palpable impact on the workload of the federal courts. Its ramifications should be thoroughly explored by the Court.

## II. Importance of the Question: Impact on Federal Trial Court Management of Patent Infringement Litigation

The Federal Circuit regards the Court's decision in *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242 (1986),

as having "expanded the group of situations in which summary judgment is appropriate." *Avia Group Int'l, Inc. v. L.A. Gear Calif., Inc.*, 853 F.2d 1557, 1560 (Fed. Cir. 1988). Indeed, the Federal Circuit has "repeatedly emphasized" that summary judgment is as appropriate in a patent case as in any other. *Id.* at 1561. But its rule that validity cannot be decided in the absence of infringement promises to discourage the use of summary judgment as a technique for resolving validity issues.

Federal trial courts frequently invalidate patents on motions for summary judgment without addressing infringement. Such judgments are sometimes simply affirmed by the Federal Circuit,<sup>1</sup> often without published opinions.<sup>2</sup> This was so prior to the formation of the Federal Circuit as well.<sup>3</sup> The considerations discussed here apply equally to non-summary dispo-

<sup>1</sup> E.g., *Ryko Mfg. Co. v. Nu-Star, Inc.*, 18 U.S.P.Q.2d 1047 (D. Minn. 1990), *aff'd*, 950 F.2d 714 (Fed. Cir. 1991); *Union Carbide Corp. v. American Can Co.*, 558 F. Supp. 1154 (N.D. Ill. 1983), *aff'd*, 724 F.2d 1567 (Fed. Cir. 1984).

<sup>2</sup> *Refac Int'l Ltd. v. IBM*, 689 F. Supp. 422 (D.N.J. 1988), *aff'd*, 891 F.2d 299 (Fed. Cir. 1989); *Friction Div. Prod., Inc. v. E.I. DuPont de Nemours & Co.*, 693 F. Supp. 114 (D. Del. 1988), *aff'd*, 883 F.2d 1027 (Fed. Cir. 1989); *Refac Elec. Corp. v. R.H. Macy & Co.*, 9 U.S.P.Q.2d 1497 (D.N.J. 1988), *aff'd*, 871 F.2d 1097 (Fed. Cir. 1989); *Lyle/Carlstrom Assoc., Inc. v. Manhattan Store Interiors, Inc.*, 635 F. Supp. 1371 (E.D.N.Y. 1986), *aff'd*, 824 F.2d 977 (Fed. Cir. 1987); *American Sunroof Corp. v. Cars & Concepts, Inc.*, 660 F. Supp. 1 (E.D. Mich. 1984), *aff'd*, 776 F.2d 1064 (Fed. Cir. 1985).

<sup>3</sup> E.g., *Medical Lab. Automation, Inc. v. Labcon, Inc.*, 500 F. Supp. 54 (N.D. Ill. 1980), *aff'd*, 670 F.2d 671 (7th Cir. 1981); *Clarke v. K-Mart*, 481 F. Supp. 470 (W.D. Pa. 1979), *aff'd*, 639 F.2d 772 (3d Cir. 1980).



sitions, but because summary judgment is an efficient and flexible case management tool, it provides an ideal context for this argument.<sup>4</sup>

A good example is *Union Carbide Corp. v. American Can Co.*, 558 F. Supp. 1154 (N.D. Ill. 1983), *aff'd*, 724 F.2d 1567 (Fed. Cir. 1984). There the defendant brought a motion for summary judgment of invalidity and the plaintiff brought a countermotion for summary judgment of infringement. The district court found the patents invalid and held, logically enough, that "The law is clear that an invalid patent cannot be infringed. \* \* \* Thus, given our holding that defendant has overcome the presumption of validity of the patent and is entitled to summary judgment on the issue of invalidity, plaintiff's motion for summary judgment on the issue of infringement is rendered moot." 558 F. Supp. at 1162-63. The Federal Circuit affirmed without discussing the propriety of having decided validity in the absence of a finding of infringement. 724 F.2d 1567, 1577 (Fed. Cir. 1984).

Under the Federal Circuit's rule in the present case, however, the *Union Carbide* district court acted incorrectly in deciding invalidity without first addressing infringement. Indeed, the Federal Circuit takes just the opposite view: a patent that is not infringed cannot be invalid, and to decide the validity of a

<sup>4</sup> Courts sometimes decide validity but not infringement at or after trial, with or without having formally separated the issues. *E.g.*, *FMC Corp. v. Hennessy Indus., Inc.*, 836 F.2d 521 (Fed. Cir. 1987); *Surface Technology, Inc. v. United States ITC*, 801 F.2d 1336 (Fed. Cir. 1987). Bifurcation of validity and infringement issues for trial is probably done much less frequently than entertaining a motion for summary judgment on a single issue, however.

patent that has not been shown to be infringed is to decide a moot point. Given this reasoning, why then should a district court ever look at validity without having first assessed and found infringement? If there is no infringement the case can be dismissed without more.

There is absolutely no logical difference between a judgment of invalidity rendered without looking at infringement and one rendered either with a companion finding of noninfringement or an accompanying holding of infringement that is reversed on appeal. To construct such a difference would be to inject too much chance into the ultimate determination of which patents are scrutinized for invalidity. To label the first as an actual controversy and the latter as moot simply ignores the realities of litigation management at the trial court level. There can be any number of reasons why a district judge chooses to decide or ignore infringement, and an inquiry into the validity of the patent should not be permitted or forbidden as a function of that choice.

### III. Conflicting Decisions: Internal Inconsistencies in Federal Circuit Jurisprudence

The decisions of the Federal Circuit do not reflect a consistent approach to the important question presented here. Its decision in *Vieau v. Japax, Inc.*, 823 F.2d 1510 (Fed. Cir. 1987), appears to be the first in which it faced the matter squarely. But both before and after *Vieau* it has continued to affirm<sup>5</sup> or

<sup>5</sup> *Environmental Instr., Inc. v. Sutron Corp.*, 877 F.2d 1561 (Fed. Cir. 1989), *Medtronic Inc. v. Intermedics, Inc.*, 799 F.2d 734 (Fed. Cir. 1986), *cert. denied*, 479 U.S. 1033 (1987); *Eaton Corp. v. Appliance Valves Corp.*, 790 F.2d 874 (Fed. Cir. 1986);



reverse<sup>6</sup> invalidity holdings, rather than simply vacate them, in cases where the infringement issue was either decided adversely to the patentee or was not addressed at all. In each of those cases, under the *Vieau* rationale, the invalidity portion of the judgment should have been vacated as moot.

It is one thing to find such cases prior to the *Vieau* decision, but it is quite another to see them persisting after *Vieau*. For example, in *Tol-O-Matic, Inc. v. Proma Produkt-Und Marketing GmbH*, 945 F.2d 1546 (Fed. Cir. 1991), the declaratory judgment plaintiff was successful below on noninfringement, invalidity, and unenforceability. On appeal, the noninfringement portion of the judgment was affirmed, but instead of vacating the remainder, the court reversed. And in *Environmental Instruments, Inc. v. Sutron Corp.*, 877 F.2d 1561 (Fed. Cir. 1989), the patent owner announced on the eve of trial that it was not pressing its claim for infringement of one of the patents in suit; that patent was held invalid and the judgment of invalidity was affirmed on appeal.

It is not possible to rationalize these decisions in light of the holding of the Federal Circuit in the present case. Normally, the prudential exercise of

*Standard Oil Co. v. American Cyanamid Co.*, 774 F.2d 448 (Fed. Cir. 1985); *Stearns v. Beckman Instr., Inc.*, 737 F.2d 1565 (Fed. Cir. 1984); *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542 (Fed. Cir. 1983).

<sup>6</sup> *Tol-O-Matic, Inc. v. Proma Produkt-Und Mktg. GmbH*, 945 F.2d 1546 (Fed. Cir. 1991); *Stewart-Warner Corp. v. City of Pontiac, Mich.*, 767 F.2d 1563 (Fed. Cir. 1985); *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437 (Fed. Cir. 1984); *ACS Hosp. Sys., Inc. v. Montefiore Hosp.*, 732 F.2d 1572 (Fed. Cir. 1984).

certiorari jurisdiction might indicate that this Court should await the Federal Circuit's own recognition of and cure for its internal conflicts. Here, however, the jurisprudence of that court reflects two diverging lines of decision—one (as in *Vieau* and the present case) representing what the court says should be done, and one (as in *Tol-O-Matic* and *Environmental Instruments*) representing what is often actually done. The Federal Circuit has shown no signs of an intention to deal with this divergence; indeed, it declined suggestions for rehearing in banc on May 7, 1992.

### CONCLUSION

For the reasons set forth in the dissent of Chief Judge Nies from the orders declining suggestions for rehearing in banc (Petition for Writ of Certiorari, App. B, pp. 16a-31a), and for all the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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August 14, 1992

IN THE  
**Supreme Court of the United States**

October Term 1992

CARDINAL CHEMICAL COMPANY, W.M.  
QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM, AND  
W.M. QUATTLEBAUM, III, CARDINAL MANUFACTURING  
CO., AND CARDINAL STABILIZERS, INC.,  
*Petitioners,*

v.

MORTON INTERNATIONAL, INC.,  
*Respondent.*

On Petition for a Writ of Certiorari to the  
United States Court of Appeals for the Federal Circuit

**BRIEF OF AMICUS CURIAE ATOCHEM NORTH  
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**QUESTION PRESENTED**

Whether in light of *Blonder-Tongue Labs., Inc. v. University of Illinois Found.*, 402 U.S. 313 (1971), and of the cost to the parties and to the judiciary of repeated trials on technical issues of patent invalidity, the Federal Circuit vacatur of a district court's declaratory judgment of patent invalidity as moot is proper solely because the Federal Circuit has affirmed a declaratory judgment of noninfringement.



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**STATEMENT PURSUANT TO RULE 29.1**

Atochem North America, Inc. has three subsidiaries or affiliates other than wholly owned subsidiaries: MAF Industries, Inc.; Metco North America, Inc.; and M&T Harshaw.



IN THE  
**Supreme Court of the United States**

October Term 1992

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CARDINAL CHEMICAL COMPANY, W. M.  
QUATTLEBAUM, JR., DOROTHY QUATTLEBAUM, and  
W. M. QUATTLEBAUM, III, CARDINAL MANUFACTURING  
CO., and CARDINAL STABILIZERS, INC.,  
*Petitioners,*

v.

MORTON INTERNATIONAL, INC.,  
*Respondent.*

---

**BRIEF OF AMICUS CURIAE ATOCHEM NORTH  
AMERICA, INC. IN SUPPORT OF A PETITION FOR A  
WRIT OF CERTIORARI TO THE UNITED STATES  
COURT OF APPEALS FOR THE FEDERAL CIRCUIT**

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This *amicus curiae* brief is submitted to support the petition for a writ of certiorari. Both Petitioners (collectively "Cardinal") and Respondent ("Morton") have consented in writing to the filing of this brief.

**INTEREST OF THE AMICUS**

The interest of *amicus* ("Atochem") arises out of Morton's suit against Atochem charging infringement of the same two patents as are at issue in this case ("the Morton patents"). Atochem is the defendant in *Morton Int'l, Inc. v. Atochem North America, Inc.*, No. 87-60-RRM, currently pending in the U.S. District Court for the District of Delaware. Morton's action against Atochem will be significantly affected by this Court's decision on the petition.

After Atochem was sued, the Morton patents were declared invalid by two separate district courts in unrelated actions, first in Louisiana (the *Argus* case),<sup>1</sup> and subsequently in this case in South Carolina (the *Cardinal* case).<sup>2</sup> However, because each district court judgment also included a finding of noninfringement which the Federal Circuit affirmed, Atochem has watched the appellate court twice vacate the respective declaratory judgments of invalidity reached after trials on the merits. The second action is the subject of this petition. Morton's action against Atochem is a third separate action on the same two Morton patents.

The Federal Circuit's vacatur of the two prior district court judgments of invalidity follows that court's practice of vacating judgments of invalidity as moot when affirming judgments of noninfringement. However, as explained in Chief Judge Nies' dissent from the denial of rehearing *in banc* (Petitioners' Appendix ("PA") 18a-31a), there is no jurisdictional impediment to deciding the invalidity issue irrespective of the decision on noninfringement<sup>3</sup> and the practice has been subject to substantial criticism.<sup>4</sup>

<sup>1</sup> *Morton Thiokol, Inc. v. Argus Chem. Corp.*, No. 84-5685 (E.D. La., June 22, 1988), *aff'd in part, vacated in part*, 873 F.2d 1451 (Fed. Cir. 1989) (nonprecedential) (Petitioner's Brief, page 3).

<sup>2</sup> *Morton Int'l, Inc. v. Cardinal Chem. Co. et al.*, No. 6:83-889-OK, (D.S.C. 1991), *aff'd in part, vacated in part*, 959 F.2d 948 (Fed. Cir. 1992), *dissent from order declining suggestions for rehearing in banc*, 1992 U.S. App. LEXIS 14519 (Fed. Cir. 1992) (Nies, C.J.).

<sup>3</sup> As developed in the *Cardinal* petition for writ of certiorari, this Court's precedent not only permits consideration of a declaratory judgment of invalidity irrespective of the decision on infringement, but seems to mandate it. *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327 (1945); *see also Cover v. Schwartz*, 133 F.2d 541 (2d Cir. 1942). *Amicus* Atochem's brief, however, is not directed to the jurisdictional aspect of the Federal Circuit's practice, but instead to its inconsistency with patent policy set forth by the Court and its adverse effects on the public.

<sup>4</sup> *See* dissenting opinion to order declining rehearing *in banc* (Nies, C.J.). (PA 18a-31a). Also, one of the Federal Circuit panel members, Judge

A party in Atochem's position is particularly affected. Leaving the decision below undisturbed gives Morton a green light to press forward with its third lawsuit, placing Atochem in the costly and untenable position of having to defend itself against patents which have already been held invalid twice before.

Patent owners are only to be given the opportunity of one "bite at the apple" pursuant to this Court's decision in *Blonder-Tongue Labs., Inc. v. University of Illinois Found.*, 402 U.S. 313 (1971). Morton has had two bites so far, and unless the Court grants the petition in this case, yet another Morton bite is in the offing, contrary to the holding and intent of *Blonder-Tongue*.

Even Morton does not necessarily aspire to such a feast. Morton itself asked the Federal Circuit to decide its appeal on the merits and subsequently asked for a rehearing *in banc*. Atochem's interest, and perhaps Morton's interest as well, is clear. The cost of still another trial for the parties and the public is too high for the Federal Circuit to again avoid ruling on Morton's appeal of the district court's holding of invalidity of the Morton patents. Accordingly, and for the reasons set forth further below, *amicus* respectfully requests that the Court grant *Cardinal's* petition for writ of certiorari, exercise its supervisory authority over the Federal Circuit, and remand this case to the Federal Circuit with instructions that the declaratory judgment of invalidity be reinstated and the appeal of that judgment be decided on the merits.

### QUESTION PRESENTED

Whether in light of *Blonder-Tongue Labs., Inc. v. University of Illinois Found.*, 402 U.S. 313 (1971), and of the cost to the parties and to the judiciary of repeated trials on technical

Lourie, would have affirmed the judgment of invalidity of the Morton patents and not reached the issue of whether *Cardinal's* specific products infringe those patents. (PA 11a-15a).

issues of patent invalidity, the Federal Circuit vacatur of a district court's declaratory judgment of patent invalidity as moot is proper solely because the Federal Circuit has affirmed a declaratory judgment of noninfringement.

### SUMMARY OF THE ARGUMENT

The Federal Circuit's practice of vacating a declaratory judgment of patent invalidity as moot solely because the Federal Circuit has affirmed a declaratory judgment of noninfringement is contrary to the spirit of this Court's decision in *Blonder-Tongue*. The *Blonder-Tongue* decision was intended to prevent patentees from relitigating patents once held invalid in a full and fair trial. The Federal Circuit's practice of declining to review district courts' holdings of invalidity permits "repeated litigation of the same issue as long as the supply of unrelated defendants holds out," despite a full and fair trial on the validity issue — a result which the *Blonder-Tongue* decision was expressly designed to avoid. 402 U.S. at 338.

The encouragement of "repeated litigation" is the real effect of the Federal Circuit's practice. It is not hypothetical. The Morton patents have been declared invalid twice after lengthy and complex trials on highly technical chemical subject matter. Nonetheless, Morton may seek a third trial on these patents in a different jurisdiction, Delaware, involving Atochem, a defendant unrelated to the defendants in either the Louisiana *Argus* case or the South Carolina *Cardinal* case.

Not only will there be a high cost of the pretrial discovery and trial of a third action on the Morton patents, as is typical of patent cases, but it is clear that judicial resources will not have been conserved by Morton's continued enforcement of its invalid patents. These consequences sought to be prevented by this Court in *Blonder-Tongue* flow directly from the Federal Circuit's vacatur of the invalidity judgment simply because the Federal Circuit chose to decide the issue of noninfringement before invalidity. It should have taken the issues in the opposite order.

Cardinal's petition in this case presents the ideal opportunity for this Court to review and pass judgment on the propriety of the Federal Circuit's routine practice of vacating judgments of patent invalidity where noninfringement is sustained. That is the only issue before the Court. There is no need to consider any of the technical aspects of the patent issues.

For the reasons given herein, it is respectfully requested that the petition for writ of certiorari be granted.

### REASONS FOR GRANTING THE PETITION

#### I. This Court Should Exercise Its Supervisory Authority Over the Federal Circuit to Ensure that the Rationale of the *Blonder-Tongue* Decision is Given Full Effect

In the *Blonder-Tongue* decision, this Court abrogated the doctrine of mutuality set forth in *Triplett v. Lowell*, 297 U.S. 638 (1936), to prevent a patent owner from relitigating patents once held invalid against other unrelated defendants. The Federal Circuit's established practice of vacating judgments of invalidity upon affirming corresponding judgments of noninfringement vitiates that very purpose because the practice permits "repeated litigation of the same issue as long as the supply of unrelated defendants holds out," a result which *Blonder-Tongue* expressly sought to prevent. 402 U.S. at 329. Therefore, the effect of the Federal Circuit's practice is in conflict with the precedent of this Court.

Since the Federal Circuit has exclusive jurisdiction over patent matters, there is no conflict among the circuits. However, certiorari is clearly appropriate where, as here, the circuit court's decision conflicts with a policy set by this Court. *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U.S. 126, 128 (1942). Moreover, the exercise of supervisory authority over the Federal Circuit is particularly important because the exclusive jurisdiction of the Federal Circuit in patent appeals makes it the patent court of last resort, for all practical purposes. The



Federal Circuit will continue its practice of resuscitating through vacatur patents found invalid by a trial judge or jury, until this Court orders otherwise.<sup>5</sup>

The Cardinal petition for certiorari should be granted so that the Court can exercise its supervisory authority and ensure that patent invalidity determinations after full and fair trials are resolved at the appeal stage without the need for further litigation to prove invalidity all over again.

## II. Under the Rationale of the *Blonder-Tongue* Decision, Invalidity Should Be Heard and Decided Upon by the Federal Circuit

In *Blonder-Tongue*, the Court criticized repeated litigation where the patent has been once found to be invalid. The Court held that:

Permitting repeated litigation of the same issue as long as the supply of unrelated defendants holds out reflects either the aura of the gaming table or "a lack of discipline and of disinterestedness on the part of the lower courts, hardly a worthy or wise basis for fashioning rules of procedure."

402 U.S. at 329, quoting *Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.*, 342 U.S. 180, 185 (1952).

The Court also noted the unfairness to the defendant faced with having to litigate an issue already decided:

In any lawsuit where a defendant . . . is forced to present a complete defense on the merits of a claim

<sup>5</sup> As Chief Judge Nies wrote:

The question of how a judgment of invalidity on a declaratory claim should be treated after a finding of no infringement is too important in my view to let pass again. The parties can now look only to the Supreme Court for correction.

Opinion dissenting from order declining of rehearing *in banc*. (PA 31a).

which the plaintiff has fully litigated and lost in a prior action, there is an arguable misallocation of resources. To the extent the defendant in the second suit may not win by asserting, without contradiction, that the plaintiff had fully and fairly, but unsuccessfully, litigated the same claim in the prior suit, the defendant's time and money are diverted from alternative uses—productive or otherwise—to relitigation of a decided issue.

*Id.* at 329.

With respect to relitigating patent invalidity, the Court concluded that "[w]hatever legitimate concern there may be about the intricacies of some patent suits, it is insufficient in and of itself to justify patentees relitigating validity issues as long as new defendants are available." *Id.* at 334. The Court then focused on three bases in deciding that mutuality of estoppel should be abrogated and a patentee precluded from relitigating the validity of a patent once a district court has declared it to be invalid. These bases were: (1) fairness to the patentee in getting an opportunity to present all relevant and probative evidence before the district court in the first litigation; (2) economic costs of continued litigation of an already held invalid patent; and (3) burden on the federal courts in permitting patentees to relitigate patents held invalid. *Id.* at 338.

### A. No Unfairness Inures to the Patentee in Deciding Invalidity

If the fairness of the trial is challenged by the patentee, it could conceivably be an issue for subsequent district court litigation, but it presumably would be an issue on appeal to the Federal Circuit. Indeed, this Court appears to have assumed in *Blonder-Tongue* that a full and fair opportunity includes appellate review of the judgment of invalidity.<sup>6</sup> It is thus important

<sup>6</sup> E.g., *id.* at 339-40, quoting from President's Commission on the Patent System Report, page 39.

for the Federal Circuit to consider and decide the appeal of the judgment of patent invalidity.<sup>7</sup>

### B. The Cost of a Third Trial is High

The Court also examined the economic consequences.<sup>8</sup> The Court noted that it was an "acknowledged fact" that patent litigation is a very costly process. In addition, the Court considered that patent defendants have higher costs than patent owners since defendants must both introduce proof to overcome the presumption of validity and must attempt to rebut whatever proof the patent owner offers. *Id.* at 335. Moreover, repeated litigation raising the same issue and involving much of the same proof imposes "high costs" on the individual parties.<sup>9</sup> The Federal Circuit's practice of vacating judgments of invalidity leads to relitigating the same validity issue that previously was decided and was dispositive, and runs counter to this basis of the *Blonder-Tongue* decision.

### C. A Heavy Burden on the Judiciary Results

Third, the adverse effect of repeated litigation on judicial resources was another basis for the conclusion reached in *Blonder-Tongue*. *Id.* at 348-349. The burden on the judicial

<sup>7</sup> Morton appealed the holding of invalidity in both *Argus* and *Cardinal* and sought a decision by the Federal Circuit on invalidity. In what must be an unusual scenario, both Morton and Cardinal petitioned the Federal Circuit for rehearing *in banc*, arguing that the Federal Circuit should not vacate, but rather should reach invalidity. Morton is supporting Supreme Court review here, for different reasons.

<sup>8</sup> *Id.* at 334-348. The Federal Circuit has itself cited with approval the economic consequences analysis in *Blonder-Tongue*. *Dana Corp. v. NOK, Inc.*, 882 F.2d 505 (Fed. Cir. 1989).

<sup>9</sup> *Id.* at 338. Another economic consequence thought by the Court to be even "more significant" is that potential defendants will often decide that paying royalties under a license or other settlement is preferable to the costly burden of challenging the patent. *Id.* at 338.

system of repeated trials on the same complex technical and patent law issues that were resolved against the patent owner a first time is even more important a factor today as the volume of litigation in the federal courts has soared.<sup>10</sup> The Federal Circuit's practice adds to the burden on the district courts who may spend substantial court time trying the validity issue only to have their work expunged by an appellate court.<sup>11</sup>

The appellate courts' caseload, including the caseload of this Court and of the Federal Circuit, is also at a crisis point.<sup>12</sup> As this case itself demonstrates, the Federal Circuit's practice inevitably leads to more district court litigation as well as to more appeals. At a time when conservation of judicial resources as envisioned by *Blonder-Tongue* is sorely needed, this Court should review the Federal Circuit's practice because it adds to the congestion in the courts instead of reducing it.

The Court in *Blonder-Tongue* held that it was no longer tenable to afford a patent owner more than one full and fair opportunity for judicial resolution of the issue of patent inval-

<sup>10</sup> The current caseload crisis and its impact are well recognized. See, e.g., *Report of the Federal Courts Study Committee*, Administrative Office of the United States Courts (April 2, 1990) and S. Rep. No. 416, 101st Cong. 2nd Sess. (1990), reprinted in 1990 U.S.C.C.A.N. 6802, to *The Civil Justice Reform Act of 1990*.

<sup>11</sup> Recently, the district court in *Wang Labs. Inc. v. Toshiba Corp.*, 1992 WL 16914, page 2, Civ. A. 90-1477A (E.D. Va. 1992), expressed its concern that vacating the lower court's finding of invalidity without reviewing the merits at the request of parties who settle the case while the appeal is pending, a related standard practice of the Federal Circuit, may result in an invalid patent being "foisted off on the public and left to distort the market." See also opinion dissenting from order declining rehearing *in banc* (Nies, C.J.). (PA 31a).

<sup>12</sup> See *Report of the Federal Courts Study Committee*, *id.* at note 10, page 109 *et seq.* (chapter entitled "Dealing with the Appellate Caseload Crisis").



idity. 402 U.S. at 312-313. In 1971, when *Blonder-Tongue* was decided, judgments of both invalidity and noninfringement were routinely reviewed together by the appellate courts. It was not until 1987, when the Federal Circuit adopted this practice,<sup>13</sup> that there was any suggestion that an appellate court's holding of noninfringement rendered the issue of invalidity moot.<sup>14</sup>

Indeed, as between issues of validity and infringement, the better practice has been considered by this Court to be to inquire fully into validity, and not to dispose of the suit without going into the question of validity.<sup>15</sup> Moreover, fairness to the defendant, the high economic costs and judicial burden of multiple trials, and the public interest in identifying invalid patents, all support the principle of *Blonder-Tongue* that patentees should not be able to relitigate invalid patents after a full and fair trial on the validity issues.

The Federal Circuit's practice is 180° out of phase with these basic principles. It ignores the importance to the public of a complete determination of the validity of a patent, and it

<sup>13</sup> The Federal Circuit's practice began with two decisions issued on the same day. *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517 (Fed. Cir. 1987); *Fonar Corp. v. Johnson & Johnson*, 821 F.2d 627, 634 (Fed. Cir. 1987), cert. denied, 484 U.S. 1027 (1988).

<sup>14</sup> Before the Federal Circuit's adoption of its practice, it also routinely reviewed judgments of invalidity before or in conjunction with judgments of noninfringement. See, e.g., *Mannesmann Demag Corp. v. Engineered Metal Prods.*, 793 F.2d 1279 (Fed. Cir. 1986).

In fact, judgments of invalidity were routinely reviewed *first*, perhaps because it was commonly thought that an invalid patent cannot be infringed. See *Spectra-Physics, Inc. v. Coherent, Inc.*, 827 F.2d 1524 (Fed. Cir.), cert. denied, 484 U.S. 954 (1987).

<sup>15</sup> *Sinclair & Carroll Co.*, *supra*, 325 U.S. at 330 ("validity has the greater public importance"). See also *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 488-9 (1974); *Lear, Inc. v. Adkins*, 395 U.S. 653, 663-4 (1969); *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 816 (1945); *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892).

encourages, rather than prevents, the relitigation of the issue of invalidity after a patent is once held invalid. Given the precedent, policy, and underlying rationale of *Blonder-Tongue*, and the incongruousness of the Federal Circuit's practice of vacating invalidity judgments where infringement is not found, the Supreme Court should grant certiorari in this case and address the Federal Circuit practice.

### III. The Petition Presents an Ideal Opportunity to Decide the Issue

The present case presents an ideal opportunity for deciding this fundamental issue of patent practice.

First, evaluation of the Federal Circuit's practice of vacating judgments of invalidity is the only issue raised by Petitioners and *amicus*. No evaluation of technology will be necessary.

Second, the harm to unrelated defendants is real. Unlike unidentified potential defendants against whom Morton's two patents may or may not be asserted if the judgment of invalidity remains unreviewed, Atochem has been sued by Morton.

Third, there have been two prior judgments of invalidity of the Morton patents. Atochem should not have to face patents that have twice been held invalid.

Fourth, as can be seen from the decisions below, the Federal Circuit's practice is very well-established. Thus, it is not likely to change.

Evaluation of the Federal Circuit's practice is now abundantly ripe for review.



**CONCLUSION .**

This Court should grant Petitioners' request for a writ of certiorari to review the Federal Circuit's practice of routinely vacating declaratory judgments of invalidity solely upon affirming declaratory judgments of noninfringement.

Respectfully submitted,

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August 17, 1992

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OFFICE OF THE CLERK

No. 92-114

IN THE  
**Supreme Court of the United States**  
OCTOBER TERM, 1992

**CARDINAL CHEMICAL COMPANY, et al.,**  
*Petitioners,*  
vs.  
**MORTON INTERNATIONAL, INC.,**  
*Respondent.*

PETITION FOR WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

**BRIEF AMICUS CURIAE OF  
THE AMERICAN BAR ASSOCIATION  
IN SUPPORT OF PETITIONERS**

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**QUESTION PRESENTED**

Whether the Court of Appeals for the Federal Circuit errs when it vacates a declaratory judgment holding an asserted patent invalid merely because it determines that the patent is not infringed.



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IN THE  
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OCTOBER TERM, 1992

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No. 92-114

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CARDINAL CHEMICAL COMPANY, et al.,  
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v.

MORTON INTERNATIONAL, INC.,  
*Respondent.*

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BRIEF AMICUS CURIAE OF THE  
AMERICAN BAR ASSOCIATION  
IN SUPPORT OF PETITION  
FOR WRIT OF CERTIORARI

**STATEMENT OF INTEREST**

The American Bar Association ("ABA") is a voluntary, national membership organization of the legal profession. The more than 360,000 members of the ABA come from every state and territory and the District of Columbia. The ABA's constituency includes attorneys in private practice, legislators, law professors,



law students and a number of non-lawyer "associates" in related fields.

The Section of Patent, Trademark and Copyright Law ("Section") of the ABA includes over 10,000 ABA members interested and having expertise in intellectual property law. Since 1894, the ABA and the Section have contributed to the development of a system for protection of intellectual property and thereby advanced the technological development of our nation. Many members of the Section practice in the field of patent law, representing patent owners, potential infringers, and persons and businesses affected by patents.

The ABA believes that the issue presented is of national public importance. By the decision below, the United States Court of Appeals for the Federal Circuit, with its exclusive appellate jurisdiction in patent cases, continues its practice of routinely vacating declaratory judgments of patent invalidity whenever it finds noninfringement. Though the ABA has no interest in the outcome of the validity determination in this case, it participates as *amicus curiae* to protect the interests of patent litigants and those in the business community and public represented by our members that would be directly and adversely affected if the decision below were

allowed to stand. Thus, the ABA respectfully suggests that this Court grant a writ of certiorari.

The ABA has received the consent of all parties in this case to present its views.

### SUMMARY OF ARGUMENT

The Federal Circuit has received considerable criticism from the bench and bar for its practice of routinely vacating declaratory judgments of patent invalidity whenever it has determined that there is no infringement. Despite this criticism, and the pleas of parties and amici curiae to stop resurrecting invalid patents without review, the Federal Circuit has refused to reconsider or explain its practice. Because the Federal Circuit has exclusive jurisdiction over appeals in patent cases, only an exercise of this Court's supervisory power can correct the Federal Circuit's practice.

Further, the Federal Circuit's practice directly conflicts with this Court's decision in *Altwater v. Freeman*, 319 U.S. 359 (1943). The Federal Circuit's interpretation of *Altwater* to suggest otherwise is simply incorrect.

Moreover, the Federal Circuit's practice presents a significant question of federal law because it affects numerous cases, each of which may result in needless, repetitive litigation on resurrected patents. This

repetitive patent litigation wastes the resources of the litigants, the Federal Circuit, and the already heavily-burdened district courts.

### ARGUMENT

#### I. THE FEDERAL CIRCUIT'S PRACTICE CALLS FOR AN EXERCISE OF THIS COURT'S POWER OF SUPERVISION

The United States Court of Appeals for the Federal Circuit has jurisdiction over all appeals from the United States district courts in actions arising under the patent laws. 28 U.S.C. § 1295(a)(1). The typical action arising under the patent laws is one in which the patent owner, or patentee, charges an alleged infringer with infringement of the patent and the alleged infringer raises a host of defenses including noninfringement and invalidity of the patent. The alleged infringer often challenges the validity of the patent by way of a claim under the Declaratory Judgment Act, 28 U.S.C. § 2201, either as an original complaint or as a counterclaim.

Where both patent invalidity and noninfringement are at issue, the Federal Circuit has instructed district courts to decide both issues. *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1540-41 (Fed. Cir. 1983). As a result, the district court may enter judgment on both issues, for example, denying the patentee relief on its

infringement claim because of noninfringement and granting the alleged infringer a declaration of patent invalidity.

On June 16, 1987, the Federal Circuit adopted the practice of vacating the district court's holding of invalidity whenever the Federal Circuit determines that the patent is not infringed. *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517 (Fed. Cir. 1987); *Fonar Corp. v. Johnson & Johnson*, 821 F.2d 627, 634 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1027 (1988). The Federal Circuit follows this practice regardless of whether the district court's invalidity holding is merely on a defense or embodied in a judgment under the Declaratory Judgment Act.

Since 1987, the Federal Circuit's practice has been the subject of extensive criticism, both from district courts<sup>1</sup> and commentators.<sup>2</sup> Despite this criticism and repeated requests both from parties and amici curiae,

<sup>1</sup> See, e.g., *Morton Int'l, Inc. v. Cardinal Chem. Co.*, 1992 U.S. App. LEXIS 14519, at \*2 (Nies, C.J., dissenting from denial of rehearing in banc) (quoting remarks of Judge Avern Cohn); *Wang Laboratories, Inc. v. Toshiba Corp.*, 1992 U.S. Dist. LEXIS 9256, at \*7 n.3 (E.D. Va. July 2, 1992).

<sup>2</sup> See, e.g., Robert Harmon, *Patents & the Federal Circuit* 551-554 (2d ed. 1991); Joseph R. Re & William C. Rooklidge, *Vacating Patent Invalidity Judgments Upon an Appellate Determination of Noninfringement*, 72 J. Pat. & Trademark Off. Soc'y 780 (1990).

the Federal Circuit has refused to reconsider or explain its practice.

Because the Federal Circuit has exclusive jurisdiction over appeals in patent cases and has repeatedly refused to reconsider or explain its practice, only this Court's exercise of its power of supervision can correct the Federal Circuit's practice. *Morton Int'l, Inc. v. Cardinal Chem. Co.*, 1992 U.S. App. LEXIS 14519, at \*24 (Nies, C.J., dissenting from denial of rehearing in banc). Therefore, this case requires an exercise of this Court's power of supervision.

## II. THE FEDERAL CIRCUIT'S PRACTICE CONFLICTS WITH THIS COURT'S *ALTVATER* DECISION

In his concurrence in *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517 (Fed. Cir. 1987), Judge Bennett relied on this Court's decision in *Altwater v. Freeman*, 319 U.S. 359 (1943), to support the Federal Circuit's practice. Rather than support the practice, however, *Altwater* directly conflicts with the practice.

In *Altwater*, the patent owner sued for specific performance of a patent license agreement, and the licensees counterclaimed for a declaratory judgment of patent invalidity. The district court held that there was no infringement, the licensees were not breaching the

license agreement, and the patents were invalid. The court of appeals affirmed the noninfringement finding, ruled that there no longer existed a justiciable controversy between the parties, and vacated the invalidity judgment. This Court reversed.

The Court recognized in *Altwater* a significant distinction between an alleged infringer's right to a declaratory judgment of invalidity, at issue in *Altwater*, and a mere defense of invalidity. The *Altwater* Court held that a declaratory judgment of patent invalidity may not be summarily vacated as moot *solely* because of a noninfringement finding. 319 U.S. at 363.

In dictum, the *Altwater* Court observed that "the issues raised by the present counterclaim were justiciable and that the controversy between the parties did not come to an end on the dismissal of the bill for noninfringement, since their dispute went beyond the single claim and the particular accused devices involved in that suit."<sup>3</sup> 319 U.S. at 363-64. The Federal Circuit

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<sup>3</sup> The fact that there were devices and claims at issue beyond those involved in the suit was relevant, if at all, to the continuing controversy only in that it established that the licensee had standing to challenge the patent's validity despite the then-existing doctrine of licensee estoppel. This Court's rejection of licensee estoppel in *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969), deprived this fact of any relevance. *Morton v. Cardinal*, 1992 U.S. App. LEXIS 14519, at \*7-9 (Nies, C.J., dissenting from denial of rehearing in banc).



interprets this dictum to stand for the proposition that the controversy that precluded vacating the invalidity judgment in *Altwater* depended upon the presence of additional claims or devices not involved in the noninfringement finding. See *Fonar*, 821 F.2d at 634 n.2; *Vieau*, 823 F.2d at 1518 (Bennett, J., concurring). It therefore vacates the invalidity judgment when additional claims or devices might not be involved, to avoid "what might turn out to be a hypothetical situation." *Vieau*, 823 F.2d at 1520 (Bennett, J., concurring). But, as explained below in Part III, the Federal Circuit's notion of judicial economy rests on false assumptions.

The Federal Circuit has elevated the *Altwater* dicta to a practice that conflicts with the *Altwater* holding. As noted by Chief Judge Nies, *Altwater* "does not support the holding of *Vieau*, [and] we should overrule *Vieau* . . ." *Morton v. Cardinal*, 1992 U.S. App. LEXIS 14519, at \*2 (Nies, C.J., dissenting from denial of rehearing in banc).

### III. THE FEDERAL CIRCUIT'S PRACTICE INVOLVES AN IMPORTANT QUESTION OF FEDERAL LAW WHICH SHOULD BE SETTLED BY THIS COURT

Since adopting its practice in 1987, the Federal Circuit has applied the practice in well over a dozen published opinions and innumerable unpublished opinions. In fact, the court has failed to inquire into patent validity after determining noninfringement in every published case since *Vieau* and *Fonar*. The issue is certain to reoccur.

Federal Circuit opinions suggest that the court's practice is based, in part, on judicial economy. Any resulting judicial economy is, however, as this case vividly illustrates, false economy. Resurrection of patents found invalid by the district court necessarily requires repeat litigation of validity until an "actual" infringement is found. Of course, if the patent is invalid, there is no infringement, and the parties and the courts should not be required to suffer the costs of repeat litigation.

Had the Federal Circuit reviewed the invalidity judgment in the *Argus* case, *Morton Thiokol, Inc. v. Argus Chem. Corp.*, 873 F.2d 1451 (Fed. Cir. 1989) (unpublished), it is possible that a substantial portion of

the eight-day *Argus* bench trial would not have been wasted, neither Morton, petitioner Cardinal (who claims to have spent over one million dollars in *Morton v. Cardinal*), the *Morton v. Cardinal* district court, nor the Federal Circuit would have had to expend their resources in *Morton v. Cardinal*, and neither Morton, Atochem, the Atochem district court nor the Federal Circuit would have to expend their resources in the *Atochem* case, *Morton Int'l, Inc. v. Atochem N. Am., Inc.*, No. 87-60-CMW (D. Del.). Likewise, the Federal Circuit's review of the invalidity judgment in the case at bar could prevent the waste of a substantial portion of the five-day trial and could also prevent Morton, Atochem, the *Atochem* district court and the Federal Circuit from wasting their resources in *Atochem*. Thus, the Federal Circuit's practice risks wasting the resources of patentees, alleged infringers, district courts and the Federal Circuit alike in unnecessary repetitive litigation.

The repetitive litigation spawned by the Federal Circuit's practice hits the already overburdened district courts especially hard. *Wang Laboratories, Inc. v. Toshiba Corp.*, 1992 U.S. Dist. LEXIS 9256, at \*7 n.3 (E.D. Va. July 2, 1992) (the Federal Circuit's practice wastes judicial resources by "having two trial courts consider the same validity issue"). And to the injury of

unnecessary, repetitive, complex, patent litigation, the Federal Circuit's practice adds the insult of vacatur of the district court's invalidity judgment. *Morton v. Cardinal*, 1992 U.S. App. LEXIS 14519, at \*24 n.9 (Nies, C.J., dissenting from denial of rehearing in banc).

### CONCLUSION

For the foregoing reasons, *amicus curiae* American Bar Association urges that this Court grant the petition for writ of certiorari.

Respectfully submitted,

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IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1992

**CARDINAL CHEMICAL COMPANY, et al.,**

*Petitioners,*

vs.

**MORTON INTERNATIONAL, INC.,**

*Respondent.*

ON WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

**BRIEF OF AMICUS CURIAE AMERICAN  
INTELLECTUAL PROPERTY LAW ASSOCIATION  
IN SUPPORT OF PETITIONERS**

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**QUESTION PRESENTED**

Whether the Court of Appeals for the Federal Circuit errs when it vacates a declaratory judgment holding an asserted patent invalid merely because it has determined that the patent has not been infringed.

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## IN THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1992

—  
No. 92-114  
—

CARDINAL CHEMICAL COMPANY, et al.  
*Petitioners,*

v.

MORTON INTERNATIONAL, INC.,  
*Respondent.*

—  
ON WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT  
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BRIEF OF AMICUS CURIAE AMERICAN  
INTELLECTUAL PROPERTY LAW ASSOCIATION  
IN SUPPORT OF PETITIONERS  
—

This amicus curiae brief is submitted in support of the Petitioners. Both Petitioners and Respondent have consented to the filing of this brief.

## INTEREST OF THE AMICUS

The American Intellectual Property Law Association (AIPLA) is a national association of more than 7,000 members whose interest and practice lie in the areas of patent, copyright, trademark, trade secret and other intellectual property law. AIPLA's members include attorneys in private practice and those employed by corporations, universities and government. Unlike many other areas of practice in which separate and distinct plaintiffs' and defendants' bars exist, most, if not all, intellectual property law attorneys represent both plaintiffs and defendants.

AIPLA is deeply concerned about the Federal Circuit's practice of routinely vacating declaratory judgments of patent invalidity in all cases where non-infringement is found. The interests of patent litigants and those in the business community represented by our members would be directly and adversely affected if the Federal Circuit's practice were allowed to continue. Therefore, the AIPLA joins Petitioners in urging this Court to halt the Federal Circuit's practice of vacating declaratory judgments of invalidity in cases of non-infringement and to require that the Federal Circuit review them on the merits.

## QUESTION PRESENTED

Whether the Court of Appeals for the Federal Circuit errs when it vacates a declaratory judgment holding an asserted patent invalid merely because it has determined that the patent has not been infringed.

## SUMMARY OF ARGUMENT

The Federal Circuit, with exclusive jurisdiction over appeals in patent cases, routinely vacates declaratory judgments of patent invalidity whenever it has found that there is no infringement. That practice has no basis in law and indeed it conflicts with the decisions of this Court. As so clearly shown in the present case, the Federal Circuit's practice eviscerates the alleged infringer's remedy under the Declaratory Judgment Act, violates the public policy in favor of invalidating wrongfully-issued patents, and wastes the resources of litigants and the courts.

The Federal Circuit's practice finds no support in the mootness doctrine relied upon by that court as the basis for its practice. The Federal Circuit clearly has jurisdiction to review the invalidity judgment, even though it has determined there is no infringement. Moreover, prudential concerns such as judicial economy do not suggest the Federal Circuit should limit its decision to non-infringement and deny the parties review of the invalidity judgment. The alleged infringer sought and obtained a declaration of invalidity and that relief is greater than the mere dismissal of the patentee's infringement claim. Thus, the Federal Circuit has no discretion to deny both parties review of the invalidity judgment.



## ARGUMENT

### I. THE FEDERAL CIRCUIT'S PRACTICE IS CONTRARY TO LAW AND PUBLIC POLICY

#### A. The Practice Has Evolved Into A Non-Discretionary Rule

Soon after the Federal Circuit was given exclusive subject-matter jurisdiction over patent appeals in 1982, it began to review declaratory judgments of patent invalidity. The Federal Circuit's initial practice was almost uniform; it reviewed declaratory judgments of invalidity even though it decided that there was no infringement. See, e.g., *Mannesmann Demag Corp. v. Engineered Metal Products Co.*, 793 F.2d 1279 (Fed. Cir. 1986).

On June 16, 1987, the Federal Circuit issued two decisions that dramatically altered its practice. Those decisions held that when an accused infringer has obtained a declaratory judgment of invalidity, the Federal Circuit's determination of non-infringement requires that the declaratory judgment of invalidity be vacated. *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517 (Fed. Cir. 1987) (invalidity is "moot"); *Fonar Corp. v. Johnson & Johnson*, 821 F.2d 627, 634 (Fed. Cir. 1987) (no "case or controversy" as to invalidity), *cert. denied*, 484 U.S. 1027 (1988).

Since then, the Federal Circuit has routinely vacated declaratory judgments of invalidity upon determining non-infringement. See, e.g., *Sun-Tek Industries, Inc. v. Kennedy Sky Lites, Inc.*, 848 F.2d 179, 183 (Fed. Cir.

1988) (validity issue "moot"), *cert. denied*, 109 S. Ct. 793 (1989); *Perini America, Inc. v. Paper Converting Machine Co.*, 832 F.2d 581, 584 n.1 (Fed. Cir. 1987) (validity issue "moot"). As recognized by Chief Judge Nies, the Federal Circuit's practice of vacating declaratory judgments of invalidity has evolved into a *per se* rule. See *Morton Int'l, Inc. v. Cardinal Chemical Co.*, 967 F.2d 1571, 1574 (Fed. Cir. 1992) (Nies, C.J., dissenting from denial of rehearing in banc). Therefore, the Federal Circuit has not been exercising any discretion in declining to review and vacating invalidity judgments.

#### B. This Case Demonstrates Why This Court Should Eliminate The Federal Circuit's Practice

The present respondent, Morton International, Inc., simultaneously pursued three patent infringement actions on its two patents. In the first to proceed to trial, the district court for the Eastern District of Louisiana held Morton's patents invalid and found them not infringed after an eight-day bench trial. The Federal Circuit affirmed the non-infringement finding and vacated the district court's judgment of invalidity. *Morton Thiokol, Inc. v. Argus Chemical Corp.*, 873 F.2d 1451 (Fed. Cir. April 3, 1989) (unpublished).

In the second action to be tried, the district court for the District of South Carolina held the patents invalid and found them not infringed after a five-day bench trial. Once again, the Federal Circuit affirmed the non-infringement finding and vacated the judgment of invalidity. *Morton Int'l, Inc. v. Cardinal Chemical Co.*, 959 F.2d 948 (Fed. Cir. 1992).

Morton is asserting its twice-resurrected patents in a third action. *Morton Int'l, Inc. v. Atochem North America, Inc.*, No. 87-60-CMW (D. Del.). That action has been stayed, pending this Court's disposition of the present case.

No one is satisfied with the Federal Circuit's practice. The patentee Morton is denied a chance of getting the invalidity judgment reversed on the merits. The defendants who litigated have now lost a hard-fought invalidity judgment. Moreover, additional defendants have to set aside resources to defend against future infringement actions.

### **C. The Federal Circuit's Practice Eviscerates The Declaratory Judgment Act**

Congress enacted the Declaratory Judgment Act ("the Act") to provide a remedy to persons seeking a declaration of their rights in cases of actual controversy. 28 U.S.C. § 2201. No longer would these persons have to act at their peril or abandon their rights for fear of incurring damages. S. Rep. No. 1005, 73rd Cong., 2d Sess. 2 (1934). The Act greatly affected patent litigation by giving alleged infringers an opportunity to adjudicate the invalidity of asserted patents. As a result, the Act curbed patentees' notoriously-abusive practice of threatening competitors with patent infringement litigation. See *Arrowhead Industrial Water, Inc. v. Ecolchem, Inc.*, 846 F.2d 731, 734-35 (Fed. Cir. 1988); E. Borchard, *Declaratory Judgments* 802-04 (2d ed. 1941).

Soon after passage of the Act, an issue arose as to whether an alleged infringer could obtain a declaratory

judgment of patent invalidity even though the court had ruled that it did not infringe. In his definitive work on declaratory judgments, Professor Borchard, a drafter of the Act, expressed the prevailing view:

Having been forced into court by the patentee who necessarily relied on the validity of his patent, [the accused infringer] ought to be permitted to obtain an adjudication on the fundamental issue of validity -- important for his present and any other products which approximate the patented device -- and not be confined compulsorily and exclusively to the narrow question whether his present product infringes, regardless of his desire and demand that the patent be held invalid.

E. Borchard, *supra*, at 815. The lower courts have often followed Professor Borchard's view. See, e.g., *Dale Electronics, Inc. v. R.C.L. Electronics, Inc.*, 488 F.2d 382, 390 (1st Cir. 1973); see also *Trico Products Corp. v. Anderson Co.*, 147 F.2d 721 (7th Cir. 1945) (reversing dismissal before trial of counterclaim for declaration of patent invalidity).

The Federal Circuit's practice of routinely vacating declaratory judgments of invalidity whenever the patentee has failed to prove infringement denies the alleged infringer the remedy of invalidating the patent unless that alleged infringer has first been adjudged to be an infringer. But the alleged infringer need only have apprehended suit to seek a declaration of invalidity, and need not be an adjudicated infringer to obtain that relief. See *International Medical Prosthetics Research*

*Associates, Inc. v. Gore Enterprise Holdings, Inc.*, 787 F.2d 572, 575 (Fed. Cir. 1986) (alleged infringer may deny infringement and demand declaratory judgment of invalidity).

The result of Morton's twice having lost the infringement issue on appeal is that its patents have been twice resurrected. Those two resurrections, which have allowed Morton to continue to pursue a third alleged infringer, demonstrate how the Federal Circuit's practice has eviscerated the Declaratory Judgment Act in patent cases.

#### **D. The Federal Circuit's Practice Conflicts With This Court's *Altvater* Decision**

This Court considered the application of the Declaratory Judgment Act to patent litigation in *Altvater v. Freeman*, 319 U.S. 359 (1943). In *Altvater*, the respondent sued for specific performance of a patent license agreement. Petitioners filed a counterclaim praying for, *inter alia*, a declaratory judgment of patent invalidity. The district court held that the petitioners were not infringing, were therefore not breaching the license, and that the patents were invalid. Accordingly, the district court dismissed the complaint and granted the prayer of the counterclaim. The court of appeals affirmed but, on a petition for rehearing, ruled that there was no longer a justiciable controversy between the parties when it found no infringement, and thus vacated the invalidity judgment.

This Court granted certiorari because of the apparent misinterpretation by the appellate court of this Court's

decision in *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U.S. 241 (1939), and ruled that:

*[Electrical Fittings]* was tried only on bill and answer. The District Court adjudged a claim of a patent valid, although it dismissed the bill for failure to prove infringement. We held that the finding of validity was immaterial to the disposition of the cause and that the winning party might appeal to obtain a reformation of the decree. To hold a patent valid if it is not infringed is to decide a hypothetical case. But the situation in the present case is quite different. *We have here not only bill and answer but a counterclaim. Though the decision of non-infringement disposes of the bill and answer, it does not dispose of the counterclaim which raises the question of validity.*

319 U.S. at 363 (emphasis added; footnote and citations omitted).

*Altvater* recognized a significant difference between an alleged infringer's right to a declaratory judgment of invalidity, as involved in *Altvater*, and a mere defense of invalidity, as involved in *Electrical Fittings*. Accordingly, this Court held that a declaratory judgment of patent invalidity may not be summarily vacated as moot *solely* because of a non-infringement finding.

#### **E. The Federal Circuit's Practice Violates Public Policy**

Wrongfully-issued patents may hinder free competition in technologies which rightfully ought to be



in the public domain. See, e.g., *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969).—To avoid this restriction, this Court has repeatedly recognized the public importance of invalidating wrongfully-issued patents. E.g., *Pope Manufacturing Co. v. Gormully*, 144 U.S. 224, 234 (1892). Indeed, this Court has noted that, as between patent validity and infringement, "validity has the greater public importance." *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 330 (1945). By routinely vacating judgments declaring patents invalid without examining the judgments on the merits, the Federal Circuit routinely resurrects "invalid" patents, which may hinder what rightfully should be free competition.

In addition, the Federal Circuit's practice violates the public policy in favor of minimizing the need for repetitive and endless litigation. The vacatur of a patent invalidity judgment gives the patentee an opportunity to waste the resources of competitors and the courts in subsequent litigation. It is a well-acknowledged fact that "patent litigation is a very costly process."<sup>1</sup> *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 334 (1971). Just this year, an advisory commission reported that "one of the most significant problems facing the United States patent system is the spiraling cost and complexity associated with enforcement of patent rights." THE ADVISORY COMM'N ON PATENT LAW REFORM, A REPORT TO

<sup>1</sup> Petitioners claim to have spent over \$1 Million litigating the case through trial. The median cost of patent litigation through trial for the entire country is almost \$400,000. American Intellectual Property Law Association, *Report of Economic Survey 1991* 29 (1991).

THE SEC'Y OF COMMERCE 75 (1992). Today "[c]urrent levels of litigations costs can be easily absorbed for only the most significant, and economically valuable patented inventions." *Id.* at 76.

The Federal Circuit's practice allows a patentee stripped of its patent by a declaratory judgment of invalidity to regain its patent by losing the appeal of the non-infringement ruling. But the practice is no boon to the patentee whose appeal of the invalidity judgment fell on deaf ears. The resurrected patent is in a state of limbo: declared invalid by the district court but resurrected by the appellate court without a ruling on the merits. Thus, the Federal Circuit's practice wastes the money and time spent by litigants on both sides and by district courts in adjudicating actions for declaratory judgment on the validity of patents.

A patentee's right to reassert the resurrected patent not only risks multiplying this waste in subsequent litigation, but may convince a third-party competitor not to sell products covered by the invalid patent, or may convince an alleged infringer to pay royalties under the invalid patent rather than challenge the patent's validity. For this very reason, this Court held in *Blonder-Tongue* that a patentee is estopped to assert a patent once held invalid. 402 U.S. at 338. Moreover, because a final judgment of invalidity would free existing licensees from the royalty obligation, *Troxel Manufacturing Co. v. Schwinn Bicycle Co.*, 465 F.2d 1253, 1255 (6th Cir. 1972), the Federal Circuit's practice keeps licensees under the yoke of patent license royalties until an adjudged infringer invalidates the patent.

The Federal Circuit's practice violates the policy of invalidating wrongfully-issued patents and wastes the resources of litigants, district courts and the public. These effects alone demonstrate that the Federal Circuit's practice should be overruled.

**II. THE FEDERAL CIRCUIT MUST REVIEW THE JUDGMENT ON THE INVALIDITY CLAIM BECAUSE THAT CLAIM IS NOT MOOT AND AFFORDS GREATER RELIEF THAN THE DENIAL OF THE INFRINGEMENT CLAIM**

**A. The Federal Circuit's Practice Finds No Support In The Mootness Doctrine**

Federal Circuit cases have attributed the practice to "jurisdictional mootness." That is, the court believes that the determination of non-infringement ends the controversy over validity.

Of course, a controversy must be extant at all stages of the case, *Prieser v. Newkirk*, 422 U.S. 395, 401 (1975), including at "the time the federal court decides the case," *Burke v. Barnes*, 479 U.S. 361, 363 (1987). Here, the district court, as it must, decided the appropriateness and merits of both Morton's claim for damages and injunctive relief and Cardinal's claim for declaratory relief. See *Super Tire Engineering Co. v. McCorkle*, 416 U.S. 115, 121 (1974). Obviously, the district court had

jurisdiction over all of the parties' claims.<sup>2</sup> At the time the Federal Circuit decided the present appeal, there was still a controversy, one that continues today, and will continue, at the very least, until there is a final, nonappealable judgment of either non-infringement or invalidity. See *Deposit Guaranty National Bank v. Roper*, 445 U.S. 326, 337 (1980) (a final judgment does not end controversy until the time to appeal that judgment has run). Because the Federal Circuit is not a court of last resort, its determination of non-infringement cannot moot the claim for a declaratory judgment of patent invalidity. *Morton*, 959 F.2d 953 (Lourie, J., concurring).

The Federal Circuit has confused a "judgment in favor of a party at an intermediate stage of litigation" with "the definitive mootness of a case or controversy which ousts the jurisdiction of the federal courts and requires dismissal of the case." *Deposit Guaranty*, 445 U.S. at 335 (1980). Jurisdiction is lost and vacatur results when appellate review is prevented because the case becomes moot while on appeal. *United States v. Munsingwear, Inc.*, 340 U.S. 36, 39-40 (1950). In the present case, nothing happened while the case was pending that could have eliminated the justiciable controversy underlying the claim for a declaration of patent invalidity.

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<sup>2</sup> Indeed, the Federal Circuit has encouraged the district courts to decide both invalidity and non-infringement. *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1540-41 (Fed. Cir. 1983).

**B. A Declaratory Judgment Of Invalidity Affords Greater Relief Than A Denial Of The Infringement Claim**

Because the question presented is clearly not a jurisdictional one, the only remaining issue is how the Federal Circuit should determine which issues or claims to review.

It is a common practice of appellate courts to decide only one issue and decline to decide another if the decided issue is dispositive of the claim to which it pertains. An issue is dispositive if its resolution resolves the claim in dispute and renders the resolution of other issues unnecessary to resolve that same claim. *Manning v. Upjohn Co.*, 862 F.2d 545, 547 (5th Cir. 1989) (declining to reach defenses after disposing of claim on basis of a single defense). For example, in patent cases, the Federal Circuit routinely declines to decide patent invalidity issues when a single decided issue invalidates the patent. *E.g.*, *Spectra-Physics, Inc. v. Coherent, Inc.*, 827 F.2d 1524, 1537-38 (Fed. Cir.), *cert. denied*, 484 U.S. 954 (1987).

The practice is similar when an appellate court decides which claims it should resolve. Courts may decline to decide a claim if its resolution would not alter the relief to which any party is entitled in view of how another claim was decided. For example, this Court declines to decide constitutional claims when the relief awarded under a claim for violation of state law would be the same or greater than the relief sought under a claim for violation of the Constitution. *See Chicago Great Western Ry. Co. v. Kendall*, 266 U.S. 94, 98 (1924)

(declining review of federal constitutional claim where "relief to which the complainant might be entitled would be the same as that which should be allowed" under state law claim); *Green v. Louisville and Inter-Urban Railroad Co.*, 244 U.S. 499, 519 (1917) (declining review of federal constitutional claim where "no other or greater relief is sought . . . than plaintiffs are entitled to under" state law claim).

Similarly, the inferior appellate courts decline to decide claims only if the undecided claims would afford the same or less relief than the decided claims. *Compare Liquid Air Corp. v. Rogers*, 834 F.2d 1297 (7th Cir. 1987) (declining to review finding on a claim because a favorable resolution would not lessen amount of award), *cert. denied*, 492 U.S. 917 (1989), and *May v. Watt*, 822 F.2d 896, 901 (9th Cir. 1987) (declining to decide one claim because another claim afforded the same relief for the same harm) with *Orthopedic Equipment Co. v. All Orthopedic Appliances, Inc.*, 707 F.2d 1376, 1383 (Fed. Cir. 1983) (deciding claims of both patent invalidity and patent unenforceability because attorney's fees were sought based on the patent's unenforceability).

In the present case, the non-infringement ruling resolved the patentee's claims for damages and injunctive relief. By refusing to review the invalidity judgment, however, the Federal Circuit has improperly prevented resolution of the alleged infringer's claim for declaratory relief. *Cf. Super Tire*, 416 U.S. at 121 (courts have duty to decide appropriateness and merits of declaratory relief irrespective of mootness of claims for injunctive relief). Certainly, the alleged infringer's claim



for a declaration of invalidity seeks a different and greater form of relief than the mere dismissal of the patentee's claim for patent infringement. Unlike a judgment dismissing the patentee's case, a declaration of invalidity bars all future litigation on the patents in suit against the world. *Blonder-Tongue*, 402 U.S. at 338.

In addition, the patentee is the party who has appealed the declaration of invalidity. The absence of infringement cannot prevent him from obtaining an appeal on the merits of the outstanding invalidity judgment. That is, non-infringement is not a defense to the alleged infringer's claim for a declaration of invalidity.

Therefore, the Federal Circuit must review declaratory judgments of invalidity regardless of its ruling on the patentee's claim for infringement. But this review would not require the Federal Circuit to decide both invalidity and infringement in all cases. Prudential concerns could relieve the Federal Circuit from deciding the issue of infringement if the patent is invalid. In that case, the patentee has been denied all the relief he requested, and the alleged infringer has obtained the ultimate relief -- a declaration that the patent is invalid. Because no relief could be affected by resolving the infringement issue, the Federal Circuit would not need to consider it.

In sum, appellate courts have discretion to select which issues or claims they decide. This discretion, however, merely allows the courts to decline to decide redundant issues or claims -- those which will not afford greater relief than claims already decided. But the

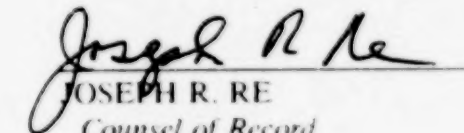
declaratory judgment of invalidity is not rendered redundant by the Federal Circuit's determination of non-infringement. For that reason, the Federal Circuit's practice is not within that court's discretion.

## CONCLUSION

This Court should end the Federal Circuit's practice of routinely vacating declaratory judgments of invalidity upon finding no infringement, and remand this case to the Federal Circuit with instructions to review the appealed invalidity judgment.

Respectfully submitted,

November 17, 1992

  
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No. 92-114

Supreme Court, U.S.

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IN THE  
**Supreme Court of the United States**  
OCTOBER TERM, 1992

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CARDINAL CHEMICAL COMPANY, et al.,  
*Petitioners,*  
vs.  
MORTON INTERNATIONAL, INC.,  
*Respondent.*

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ON WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

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**BRIEF AMICUS CURIAE OF THE  
AMERICAN BAR ASSOCIATION  
IN SUPPORT OF PETITIONERS**

---

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**QUESTION PRESENTED**

Whether the Court of Appeals for the Federal Circuit errs when it vacates a declaratory judgment holding an asserted patent invalid merely because it determines that the patent is not infringed.



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IN THE  
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1992

No. 92-114

CARDINAL CHEMICAL COMPANY, et al.,  
*Petitioners,*

v.

MORTON INTERNATIONAL, INC.,  
*Respondent.*

BRIEF AMICUS CURIAE OF THE  
AMERICAN BAR ASSOCIATION  
IN SUPPORT OF PETITIONERS

STATEMENT OF INTEREST

The American Bar Association ("ABA") is a voluntary, national membership organization of the legal profession. The more than 360,000 members of the



ABA come from every state and territory and the District of Columbia.<sup>1</sup>

The Section of Patent, Trademark and Copyright Law ("Section") of the ABA includes over 10,000 ABA members interested and having expertise in intellectual property law. Since 1894, the ABA and the Section have contributed to the development of a system for protection of intellectual property and thereby advanced the technological development of our nation. Many members of the Section practice in the field of patent law, representing patent owners, potential infringers, and in particular persons and businesses affected by patents.

The ABA believes that the issue presented is of national public importance. By the decision below, the Federal Circuit, with its exclusive appellate jurisdiction in patent cases, continues its practice of routinely vacating declaratory judgments of patent invalidity whenever it finds noninfringement. This practice violates the public interest favoring the fair, effective, efficient, and final determination of patent claims.

Although the ABA has no interest in the outcome of the validity determination in this case, the ABA

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<sup>1</sup> Neither this brief nor the decision to file it should be interpreted to reflect the views of any judicial member of the American Bar Association. No inference should be drawn that any member of the Judicial Administration Division Council has participated in the adoption of or endorsement of the positions in the brief. This brief was not circulated to any member of the Judicial Administration Division Council prior to filing.

participates as *amicus curiae* to protect the public interest. The ABA views this interest with such gravity that it has adopted the following resolution:

**RESOLVED**, that the American Bar Association favors, in principle, the proposition that a court of appeals, like a trial court, is not deprived of jurisdiction to determine the validity of a patent merely because the court of appeals determines that the patent was not infringed.

**BE IT FURTHER RESOLVED**, that the American Bar Association favors, in principle, the proposition that a court of appeals should not refuse to consider a claim or counterclaim for a declaratory judgment regarding the validity of a patent merely because the court of appeals determines that the patent was not infringed.

Because the Federal Circuit's practice is diametrically opposed to the ABA's view, the ABA has a substantial interest in the question presented.

The ABA has received the consent of all parties in this case to present its views.

### **SUMMARY OF ARGUMENT**

The Federal Circuit's practice of routinely vacating declaratory judgments of patent invalidity whenever it has found that there is no infringement is contrary to numerous public policies enunciated by this Court. The Federal Circuit's unprecedented practice violates policies favoring the invalidation of wrongfully issued patents.

finality in litigation, the orderly operation of the justice system through preservation of lower court decisions after an appeal on the merits, and the policy against needless and frivolous appeals. The Federal Circuit's practice results in needless, repetitive litigation on the resurrected patents. This repetitive patent litigation wastes the resources of the litigants, the Federal Circuit and the already heavily-burdened district courts.

That Federal Circuit's practice finds no support in this Court's decisions or in the mootness doctrine relied upon by the Federal Circuit as the basis for the practice. The Federal Circuit cannot and should not moot an invalidity claim by its decision on another claim in the same case. The Federal Circuit's interpretation of this Court's decisions to suggest otherwise is incorrect.

For these reasons, this Court should reverse the decision of the Federal Circuit, insofar as it vacates the district court's invalidity judgment without review, and remand this case to the Federal Circuit for review on the merits of the declaratory judgment of patent invalidity.

## ARGUMENT

### I. THE FEDERAL CIRCUIT'S PRACTICE HARMS THE PARTIES AND THE PUBLIC

#### A. The Practice Harms The Public

The Federal Circuit's practice of vacating declaratory judgments of invalidity when it finds no infringement violates several public policies, including: (1) the policy favoring invalidation of wrongfully-issued patents which

may hinder free competition; (2) the policy favoring the finality of judgments; (3) the policy favoring the orderly operation of the justice system, including recording and preserving lower court decisions after a trial on the merits; and (4) the policy against needless or frivolous appeals.

The first policy violated by the Federal Circuit's practice is that favoring invalidation of wrongfully-issued patents. Wrongfully-issued patents may hinder free competition in technologies which rightfully ought to be in the public domain. See, e.g., *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). Such a patent may have a deterrent or *in terrorem* effect and may cause a putative attacker or infringer to conclude that the demanded royalty is cheaper than the costs of litigation. *Wang Laboratories, Inc. v. Toshiba Corp.*, 793 F. Supp. 676, 678 n.4 (E.D. Va. 1992). As Learned Hand observed, a wrongfully-issued patent may act as a "scarecrow." *Bresnick v. United States Vitamin Corp.*, 139 F.2d 239, 242 (2d Cir. 1943).

To avoid these effects, this Court has recognized the public importance of invalidating wrongfully-issued patents. *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892) ("It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly"). By routinely vacating judgments declaring patents invalid without examining the judgments on the merits, the Federal Circuit routinely resurrects "invalid" patents, which may hinder free competition.

Closely related to this first policy is the policy favoring the finality of judgments. This Court, in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 350 (1971), held that a patent once declared invalid is invalid forever.

[A] patentee, having been afforded the opportunity to exhaust his remedy of appeal from a holding of invalidity, has had his "day in court" and should not be allowed to harass others on the basis of an invalid claim. There are few, if any, logical grounds for permitting him to clutter crowded court dockets and to subject others to costly litigation.

*Id.* at 339-40.

The Federal Circuit's current practice substantially eviscerates *Blonder-Tongue* and permits patentees "to harass others on the basis of an invalid claim." *Id.* at 340. Under the Federal Circuit's practice, a district court judgment of invalidity is given preclusive effect only if the Federal Circuit concludes that the defendant is an infringer. If the defendant is innocent, the invalidity judgment is vacated and afforded no preclusive effect. The patentee is then free to assert its resurrected patent against other defendants, just as was the case before this Court's decision in *Blonder-Tongue*.

The third public policy violated by the Federal Circuit's practice is that favoring the orderly operation of the justice system. That orderly operation depends on the conclusion of litigation being recorded and preserved for the future. See *In re Memorial Hosp. of Iowa County,*

*Inc.*, 862 F.2d 1299, 1303 (7th Cir. 1988). For this reason, district court judgments should not be routinely vacated. *Id.*

The fourth public policy violated by the Federal Circuit's practice is that against needless or frivolous appeals. A patentee who has been stripped of its patent by a declaration of invalidity may -- for example, to continue its licensing revenue -- regain its patent by appealing. See *Sun-Tek Indus., Inc. v. Kennedy Sky Lites, Inc.*, 848 F.2d 179, 183 (Fed. Cir. 1988) (vacating holding on validity where only noninfringement finding appealed). A pessimistic patentee's halfhearted appeal on noninfringement would ensure vacatur of the invalidity judgment without substantive review. See *Commodity Futures Trading Commission v. Board of Trade*, 701 F.2d 653, 657 (7th Cir. 1983) (recognizing the possibility of an appeal by a pessimistic appellant in order to obtain vacatur). Thus, the Federal Court's practice encourages patentees to appeal noninfringement findings regardless of merit.

## **B. The Practice Harms The Patentee**

The Federal Circuit's practice is to vacate a district court's invalidity judgment without reviewing the judgment on the merits, thereby resurrecting the patent. The practice leaves the validity of the resurrected patent subject to doubt, despite the presumption of patent validity afforded by 35 U.S.C. § 282. As Judge Lourie explained in his concurrence, "[t]he presumption of validity [of Morton's patents] has been shaken, but not destroyed." *Morton International, Inc. v. Cardinal Chemical Co.*, 959 F.2d 948, 953 (Fed. Cir. 1992)



(Lourie, J., concurring). Or, as Chief Judge Nies explained in her dissent from denial of rehearing in banc, Morton's patents have been placed "into a state of limbo, having twice had them declared invalid by the district courts, and twice having those judgments vacated . . . without any ruling on the merits." *Morton International, Inc. v. Cardinal Chemical Co.*, 967 F.2d 1571, 1577 (Fed. Cir. 1992) (Nies, C.J., dissenting from denial of rehearing in banc).

The patentee is harmed by the Federal Circuit's practice in that the resurrected patents are viewed with suspicion in the subsequent litigation. The stigma associated with the vacated, but not reviewed, invalidity holding may cause a district court in subsequent litigation to presume that vacated invalidity holding correct. Indeed, the *Morton* district court expressed "serious reservations as to Morton retrying the *Argus* case." Petition, App. C at 70a.

### C. The Practice Harms The Accused Infringer

The Declaratory Judgment Act ("the Act"), which provides a remedy to persons seeking a declaration of their rights in cases of actual controversy, greatly impacted patent litigation by giving alleged infringers an opportunity to adjudicate the invalidity of asserted patents. See *Arrowhead Industrial Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 734-35 (Fed. Cir. 1988) ("After the Act, . . . competitors were no longer restricted to an *in terrorem* choice between the incurrence of a growing potential liability for patent infringement and abandonment of their enterprises"); *Goodyear Tire & Rubber Co. v. Releasomers, Inc.*, 824

F.2d 953, 956 (Fed. Cir. 1987) (the purpose of the Act "in patent cases is to provide the allegedly infringing party relief from uncertainty and delay regarding its legal rights"). Professor Borchard, drafter of the Act, explained the Act's importance to the alleged patent infringer:

Having been forced into court by the patentee who necessarily relied on the validity of his patent, [the accused infringer] ought to be permitted to obtain an adjudication on the fundamental issue of validity -- important for his present and any other products which approximate the patented device -- and not be confined compulsorily and exclusively to the narrow question whether his present product infringes, regardless of his desire and demand that the patent be held invalid.

Edwin Borchard, *Declaratory Judgments* 815 (2d ed. 1941).

Under the Federal Circuit's practice, only adjudicated infringers can obtain review of the patent's validity. Therefore, that practice largely denies alleged infringers the salutary effect of the Declaratory Judgment Act.

## II. THE FEDERAL CIRCUIT'S PRACTICE IS NOT JUSTIFIED

Federal Circuit opinions suggest that the court's practice is based on the mootness doctrine, judicial economy, or this Court's precedent. None of these bases, however, justifies the practice.

### A. Mootness Does Not Justify The Practice

Article III of the Constitution limits federal courts to the adjudication of actual, ongoing controversies between the parties. *Deakins v. Monaghan*, 484 U.S. 193, 199 (1988). Such a controversy must be extant at all stages of federal appellate review, *Preiser v. Newkirk*, 422 U.S. 395, 401 (1975), including at "the time that a federal court decides the case." *Burke v. Barnes*, 479 U.S. 361, 363 (1987). At the time the Federal Circuit decided the appeal in this case, there was a controversy, one that continues today.

Because the Federal Circuit is not the court of last resort, its determination of noninfringement cannot moot the declaratory judgment claim of patent invalidity. *Morton*, 959 F.2d at 953 (Lourie, J., concurring); *Morton*, 967 F.2d at 1575 (Nies, C.J., dissenting from denial of rehearing in banc). Therefore, the Federal Circuit is not deprived of jurisdiction to determine the validity of a patent merely because that court has made a determination of noninfringement.

Moreover, the Federal Circuit's conclusion that its finding of noninfringement moots the validity issue is inconsistent with its own precedents. The Federal Circuit, for example, will review a finding of patent unenforceability even after finding the patent to be invalid. See *Orthopedic Equipment Co. v. All Orthopedic Appliances, Inc.*, 707 F.2d 1376, 1383 (Fed. Cir. 1983). Indeed, under these circumstances, the Federal Circuit has expressly held that the unenforceability issue is not moot. *Id.* The Federal Circuit's practice also seems inconsistent with its holding that the issues of validity

and infringement are intertwined. See *Witco Chemical Corp. v. Peachtree Doors, Inc.*, 787 F.2d 1545, 1549 (Fed. Cir. 1986).<sup>2</sup>

### B. Judicial Economy Does Not Justify The Practice

There is a distinction between mootness and the discretion of an appellate court to not consider "unnecessary" issues as a matter of "judicial convenience." *Benton v. Maryland*, 395 U.S. 784, 788-791 (1969) (discretion, not mootness, is the basis for the "concurrent sentence rule"). The term "mootness" does not properly describe the situation where courts find a case controlled by one set of issues and choose at their discretion not to address other equally dispositive issues in the case. See 13A Charles A. Wright, Arthur R. Miller, & Edward E. Cooper, *Federal Practice & Procedure: Jurisdiction* § 3533 at 214 (2d ed. 1984). In

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<sup>2</sup> The Federal Circuit's practice has no precedent in the non-patent cases of the other intermediate appellate courts. The ABA has searched the case law of each of these other circuits and has been unable to find any non-patent case in which a declaratory judgment was vacated merely because the opposing party was denied the relief it requested. Indeed, the courts that have looked to non-patent analogies have required adjudication of declaratory judgment counterclaims for invalidity. *Trico Products Corp. v. Anderson Co.*, 147 F.2d 721, 722-23 (7th Cir. 1945) (reversing dismissal of declaratory judgment counterclaim for invalidity based on analogy to, *inter alia*, claim for specific performance of contract and counterclaim for cancellation).

his *Morton* concurrence, Judge Lourie recognized that the Federal Circuit's practice could not be based on mootness, but must rather be based on judicial discretion motivated by concerns of "judicial economy." *Morton*, 959 F.2d at 953-54 (Lourie, J., concurring). That explanation fails, however, for at least three reasons.

First, the Federal Circuit's practice is the antithesis of discretion. Instead, it has evolved into a *per se* rule. *Morton*, 967 F.2d at 1574 (Nies, C.J., dissenting from denial of rehearing in banc) ("one-size-fits-all approach"). As this Court has explained, "to establish a rule applicable to all cases is not to exercise discretion. Such a rule ignores the differences which invoke discretion, and which alone can justify its exercise . . . ." *United States ex. rel. Steinmetz v. Allen*, 192 U.S. 543, 563 (1904).

Second, the Federal Circuit's practice can be based on discretion to avoid deciding unnecessary issues only if determination of noninfringement renders the invalidity issue redundant. See *Morton*, 967 F.2d at 1576-77 (Nies, C.J., dissenting from denial of rehearing in banc). *Contra* Howard T. Markey, *On Simplifying Patent Trials*, 116 F.R.D. 369, 381 (1987). But the invalidity issue is not automatically rendered redundant by the determination of noninfringement. For example, the noninfringement finding may not address all the patent claims or all the alleged infringer's *potentially* infringing devices. Or the alleged infringer and other competitors may wish to redesign their products to fall squarely within the claims of the patent, which acts as a "scarecrow" until invalidated. See *Bresnick*, 139 F.2d at 242.

Declaratory judgment counterclaims of patent invalidity serve "a useful purpose, since otherwise the plaintiff's action might be determined solely on the ground of noninfringement, leaving defendant still without an adjudication as to the question of validity." 3 James W. Moore & Richard W. Freer, *Moore's Federal Practice* § 13.07 (2d ed. 1992). As a result, courts tend to defer a ruling on whether a counterclaim for patent infringement is "wholly redundant" until "it can be more clearly seen whether affirmative relief is needed by a defendant." *Leach v. Ross Heater & Mfg. Co.*, 104 F.2d 88, 92 n.1 (2d Cir. 1939) (Clark, J., concurring). In his definitive work on declaratory judgments, Professor Borchard explained, "[s]uch a course seems advisable, because, while repeated dismissals without prejudice are no longer possible, the defendant's protection should not rest so exclusively in the discretion of the judge before trial. Only the trial can fully disclose what affirmative relief is necessary." Borchard, *supra*, at 814. Once the district court has decided that the invalidity issue is not redundant and entered judgment of invalidity, and the patentee has not sought dismissal of the declaratory judgment claim as redundant, the invalidity judgment cannot be rendered redundant by an appellate determination of noninfringement. *Morton*, 967 F.2d at 1577 (Nies, C.J., dissenting from denial of rehearing in banc).

Third, the Federal Circuit's invocation of judicial economy to support its practice is, at best, false economy. The Federal Circuit's practice harms the public and wastes the resources spent by the litigants and the district court at trial, by the litigants on the appeal of the invalidity issue, and by the litigants and



courts in subsequent litigation, as this case vividly illustrates.

The patentee, Morton, has brought three separate patent infringement actions on two of its patents. In the first action, Morton filed a patent infringement action against Argus Chemical Corporation. After an eight-day bench trial, the *Argus* district court held the patents invalid and not infringed. On appeal, the Federal Circuit affirmed the noninfringement finding and vacated the invalidity judgment. *Morton Thiokol, Inc. v. Argus Chem. Corp.*, 873 F.2d 1451 (Fed. Cir. 1989) (unpublished). In the second action, Morton charged Cardinal Chemical Company with patent infringement, and after a five-day bench trial, the *Cardinal* district court declared the patents invalid and found them not infringed. Once again, the Federal Circuit affirmed the noninfringement finding and vacated the invalidity judgment. *Morton*, 959 F.2d at 952.

In the third action, Morton has asserted its twice resurrected patents against Atochem North America, Incorporated. *Morton International, Inc. v. Atochem North America, Inc.*, No. 87-60-CMW (D. Del.). The *Atochem* case has been stayed pending the outcome of the *Morton* case.

"[P]atent litigation is a very costly process." *Blonder-Tongue*, 402 U.S. at 334. "[P]atent litigation has become an increasingly inefficient, ineffective and undesirable means of resolving patent-related disputes." The Advisory Commission on Patent Law Reform, *A Report to the Secretary of Commerce*, 78 (1992). "[O]ne of the most significant problems facing the United States

patent system is the spiraling cost and complexity associated with the enforcement of patent rights." *Id.* at 75. Had the Federal Circuit reviewed the invalidity judgment in the *Argus* case, it is possible that neither Morton, Cardinal (who claims to have spent over one million dollars in *Morton*), the *Cardinal* district court, nor the Federal Circuit would have had to expend their resources in *Morton*. Likewise, the *Atochem* case may have been barred by the Federal Circuit's review of either the *Argus* or *Morton* invalidity judgments. Thus, the Federal Circuit's practice harms the public and risks wasting the resources of patentees, alleged infringers, district courts and the Federal Circuit alike in unnecessary repetitive litigation.

This repetitive litigation hits the already overburdened district courts especially hard. *Wang*, 793 F. Supp. at 678 (the Federal Circuit's practice wastes judicial resources by "having two trial courts consider the same validity issue"). And to the injury of unnecessary, repetitive, complex, patent litigation, the Federal Circuit's practice adds the insult of vacatur of the district court's judgment. *Morton*, 967 F.2d at 1577 n.9 (Nies, C.J., dissenting from denial of rehearing in banc).

### C. This Court's Precedent Does Not Justify The Practice

In his concurrence in *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517 (Fed. Cir. 1987), the only opinion explaining the basis of the Federal Circuit's practice, Judge Bennett relied on three of this Court's decisions, *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U.S. 241 (1939), *Altwater v. Freeman*, 319 U.S. 359 (1943), and

*Deposit Guaranty National Bank v. Roper*, 445 U.S. 326 (1980). None of these decisions, however, justifies the practice.

In *Electrical Fittings*, the district court held a patent claim valid, but not infringed. The accused infringer appealed from the court's judgment, seeking to eliminate the holding of validity. This Court held that the accused infringer was entitled to have the holding of validity eliminated from the judgment as immaterial.

In *Altwater*, the patent owner sued for specific performance of a patent license agreement, and the licensees counterclaimed for a declaratory judgment of patent invalidity. The district court held that (1) there was no infringement; (2) the licensees were not breaching the license agreement; and (3) the patents were invalid. The court of appeals affirmed the noninfringement finding, ruled that there no longer existed a justiciable controversy between the parties, and vacated the invalidity judgment. This Court granted certiorari because of the appellate court's apparent misinterpretation of *Electrical Fittings*, and ruled that:

[*Electrical Fittings*] was tried only on bill and answer. The District Court adjudged a claim of a patent valid although it dismissed the bill for failure to prove infringement. We held that the finding of validity was immaterial to the disposition of the cause and that the winning party might appeal to obtain a reformation of the decree. To hold a patent valid if it is not infringed is to decide a hypothetical case. But the situation in the present case is quite different.

*We have here not only bill and answer but a counterclaim. Though the decision of non-infringement disposes of the bill and answer, it does not dispose of the counterclaim which raises the question of validity.*

*Altwater*, 319 U.S. at 363 (emphasis added; footnote and citations omitted).

In *Deposit Guaranty*, the Court relied on *Electrical Fittings* for its holding that the appellate courts retain jurisdiction on appeal, notwithstanding the district court's entry of judgment in favor of the appellant, if the appellant retains a stake in the appeal satisfying the case or controversy requirement. Per the *Deposit Guaranty* Court, the critical fact in *Electrical Fittings* was that the determination of patent validity, even though raised only as a defense, was embodied in the judgment. 445 U.S. at 335. As long as that determination remained in the district court's judgment, the controversy was still live:

In *Electrical Fittings*, the petitioners asserted a concern that their success in some unspecified future litigation would be impaired by *stare decisis* or collateral-estoppel application of the District Court's ruling of patent validity. This concern supplied the personal stake in the appeal required by Article III. It was satisfied fully when the petitioners secured an appellate decision eliminating the erroneous ruling from the decree. After the decree in *Electrical Fittings* was reformed, the then unreviewable judgment put an

end to the litigation, mooted all substantive claims.

*Deposit Guaranty*, 445 U.S. at 337.

*Altvater* and *Deposit Guaranty* recognized a significant distinction between an alleged infringer's right to a declaratory judgment of invalidity, at issue in *Altvater*, and a mere defense of invalidity, at issue in *Electrical Fittings*. Accordingly, the *Altvater* Court held that a declaratory judgment of patent invalidity may not be summarily vacated as moot *solely* because of a noninfringement finding.

The *Altvater* Court stated that "the issues raised by the present counterclaim were justiciable and that the controversy between the parties did not come to an end on the dismissal of the bill for noninfringement, since their dispute went beyond the single claim and the particular accused devices involved in that suit." 319 U.S. at 363-64 (citation omitted). The Federal Circuit interprets this dicta in *Altvater* to stand for the proposition that the controversy that precluded vacating the invalidity judgment depended upon the presence of additional claims or devices not involved in the noninfringement finding. See *Fonar Corp. v. Johnson & Johnson*, 821 F.2d 627, 634 n.2 (Fed. Cir. 1987), cert. denied, 484 U.S. 1027 (1988); *Vieau*, 823 F.2d at 1518 (Bennett, J., concurring). As a result, the Federal Circuit has elevated the *Altvater* dicta to a practice that conflicts with the *Altvater* holding. As noted by Chief Judge Nies, *Altvater* "does not support the holding of *Vieau*, [and] we should overrule *Vieau* . . . ." *Morton*,

967 F.2d at 1572 (Nies, C.J., dissenting from denial of rehearing in banc).

Neither mootness, judicial economy, nor this Court's precedent require the Federal Circuit to vacate, without review, a declaration of patent invalidity merely because the Federal Circuit has determined that the patent is not infringed. Therefore, the Federal Circuit should not refuse to consider a declaratory judgment claim or counterclaim for patent invalidity merely because it determines that the patent was not infringed.

## CONCLUSION

For the foregoing reasons, *amicus* American Bar Association urges that the decision of the Federal Circuit, insofar as it vacates the district court's invalidity judgment without review, be reversed, and this case be remanded to the Federal Circuit for review on the merits of the declaratory judgment of invalidity.

Respectfully submitted,

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